

DOCUMENT RESUME

ED 209 440

CE 030 376

**TITLE** Work after 65: Options for the 80's. Hearing before the Special Committee on Aging, United States Senate, Ninety-Sixth Congress, Second Session. Part 2--Washington, D.C.

**INSTITUTION** Congress of the U.S., Washington, D.C. Senate Special Committee on Aging.

**PUB DATE** 13 May 80

**NOTE** 112p.: Not available in paper copy due to small print. For related documents see CE 030 375-377.

**EDRS PRICE** MF01 Plus Postage. PC Not Available from EDRS.

**DESCRIPTORS** Age Discrimination; \*Aging (Individuals); Demography; Employee Attitudes; Employees; \*Employer Attitudes; \*Employment; Flexible Working Hours; Government Role; Hearings; \*Older Adults; Part Time Employment; \*Personnel Policy; Policy Formation; Population Distribution; Population Trends; Public Policy; Reentry Workers; \*Retirement; Retirement Benefits; Work Attitudes

**IDENTIFIERS** Congress 96th; Older Workers

**ABSTRACT**

Flexible retirement policies have worked very well for four major United States corporations, according to testimony of their executives during the second part of a U.S. Senate hearing on work after age 65, conducted in Washington, D.C., in May, 1980. Executives of Xerox, Polaroid, Bankers Life and Casualty, and Atlantic Richfield told the special committee on aging that their companies have a 15-year span--from 55 to 70 and beyond--during which employees can choose to retire. The executives said that in most cases the best, most productive workers were the ones who chose to stay the longest; thus, not having mandatory retirement was helpful for the companies. The company officials also commented that older workers had records of absences that were as good as or better than those of younger workers, and much better safety records. The hearing record also includes testimony about the needs of older workers and the future needs of the marketplace for older workers by Senators Lawton Chiles, Charles Percy, John Glenn, David Pryor, and John Melcher. In addition, reports of various task forces and surveys relating to older workers and retirement are appended to the document. (KC)

\*\*\*\*\*  
\* Reproductions supplied by EDRS are the best that can be made \*  
\* from the original document. \*  
\*\*\*\*\*

# WORK AFTER 65: OPTIONS FOR THE 80's

## HEARING BEFORE THE SPECIAL COMMITTEE ON AGING UNITED STATES SENATE NINETY-SIXTH CONGRESS SECOND SESSION

### PART 2—WASHINGTON, D.C.

MAY 18, 1980



U.S. DEPARTMENT OF EDUCATION  
NATIONAL INSTITUTE OF EDUCATION  
EDUCATIONAL RESOURCES INFORMATION  
CENTER (ERIC)

✓ This document has been reproduced as received from the person or organization originating it.  
Minor changes have been made to improve reproduction quality

- Points of view or opinions stated in this document do not necessarily represent official NIE position or policy

Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE  
68-4030 WASHINGTON 1980

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Washington D.C. 20402

SPECIAL COMMITTEE ON AGING

LAWTON CHILES, Florida, *Chairman*

FRANK CHURCH, Idaho

PETE V. DOMENICI, New Mexico

JOHN GLENN, Ohio

CHARLES H. PERCY, Illinois

JOHN MELCHER, Montana

JOHN HEINZ, Pennsylvania

DAVID PRYOR, Arkansas

NANCY LANDON KASSEBAUM, Kansas

BILL BRADLEY, New Jersey

WILLIAM S. COHEN, Maine

QUENTIN N. BURDICK, North Dakota

E. BENTLEY, LIPSCOMB, *Staff Director*

JOHN A. EDIE, *Chief Counsel*

DAVID A. RUST, *Minority Staff Director*

(II)

## CONTENTS

	Page
Opening statement by Senator Lawton Chiles, chairman.....	85
Statement by Senator Charles H. Percy.....	92
Statement by Senator John Glenn.....	115
Statement by Senator David Pryor.....	118
Statement by Senator John Melcher.....	121

### CHRONOLOGICAL LIST OF WITNESSES

McColough, C. Peter, Washington, D.C., chairman and chief executive officer, Xerox Corp.; and Chairman, President's Commission on Pension Policy.....	88
Page, Harold S., Cambridge, Mass., vice president, personnel, Polaroid Corp.....	94
Maguire, Gerald L., Chicago, Ill., vice president of corporate services, Bankers Life & Casualty Co.....	100
Read, William M., Los Angeles, Calif., senior vice president, employee relations, Atlantic Richfield Co.....	108

### APPENDIX

Material related to hearing:	
Item 1. Working paper, "Employment of Older Workers; Disincentives and Incentives," prepared by Elizabeth L. Meier, President's Commission on Pension Policy, submitted by C. Peter McColough.....	127
Item 2. Atlantic Richfield Co. report of Task Force on Elimination of Mandatory Retirement Age, submitted by William M. Read.....	155
Item 3. "A New Look at Retirement and Personnel Policies for the Eighties," statement of Malcolm H. Morrison, Ph. D., Johns Hopkins University, Baltimore, Md., presented at the City University of New York Graduate Center.....	161
Item 4. Massachusetts Department of Elder Affairs Policy Paper on Older Worker Employment, submitted by Thomas H. D. Mahoney.....	168
Item 5. Preliminary findings of a nationwide survey on retirement income issues, prepared by the President's Commission on Pension Policy.....	172

(III)

## WORK AFTER 65: OPTIONS FOR THE 80's

TUESDAY, MAY 13, 1980

U.S. SENATE,  
SPECIAL COMMITTEE ON AGING,  
Washington, D.C.

The committee met, pursuant to notice, at 10:12 a.m., in room 6226, Dirksen Senate Office Building, Hon. Lawton Chiles, chairman, presiding.

Present: Senators Chiles, Glenn, Melcher, Pryor, and Percy.

Also present: E. Bentley Lipscomb, staff director; John A. Edie, chief counsel; David A. Rust, minority staff director; Deborah K. Kilmier, legislative liaison; Neal E. Cutler and Helena G. Sims, professional staff members; Eileen M. Winkelmann, minority professional staff member; Marjorie J. Finney, correspondent; and Helen Gross-Wallace and Joan D. Nielubowski, clerical assistants.

### OPENING STATEMENT BY SENATOR LAWTON CHILES, CHAIRMAN

Senator CHILES. Good morning, and welcome to the second of our hearings on "Work After 65: Options for the 80's."

It is with great pleasure that I welcome our four witnesses today who represent four companies that have provided unique leadership in developing programs for older workers.

In addition to giving us a summary of their companies' efforts to provide better options for their older employees, they have agreed to talk with us about how private industry in general is likely to react to pressures for extended work opportunities.

I am particularly anxious to know what recommendations they may have for us so that Congress can work with them to stimulate more options for older workers.

Over the past several years, Federal dollars have been channeled into various employment programs designed to assist the older worker. While these Federal programs have often been helpful, they have not begun to satisfy the need or the demand.

In today's world of inflation where budget balancing is a major congressional goal, there is simply no room for new costly employment programs, or for large increases in existing programs. Therefore, if we are to reverse the current trend toward early retirement and begin a new emphasis on longer employment, the major thrust must come from private industry.

Again, I would point out that the committee in no way wants to eliminate the options now available for early retirement. In fact, we realize how important early retirement can be for some people. For many it is both necessary and viable.

What troubles me is that there are so few alternatives. Nationwide polls have indicated that almost half of those retired or near retirement would prefer continued work. At our April 24 hearing, we were told that in a recent nationwide survey, Americans have great pessimism about their retirement income prospects. Almost 62 percent of those polled indicated that their retirement income would probably not, or definitely not, be adequate for their needs.

Certainly much needs to be done to improve the overall retirement income needs of this country, and in this regard the committee is very pleased to have C. Peter McColough with us today. Besides his duties as chairman of Xerox Corp., he has provided able leadership as Chairman of the President's Commission on Pension Policy.

While the Commission's final report is not due until February of next year, I understand that they are scheduled to release an interim report some time this month. We look forward with great interest to that report, and to any preliminary conclusions that Mr. McColough may be able to share with us today.

In addition to Mr. McColough, we are happy to have with us senior executive officers from three companies widely acknowledged for their leadership in the area of the older worker. Gerald Maguire is the vice president of corporate services for Bankers Life & Casualty of Chicago.

Harold Page is the vice president for personnel of Polaroid Corp. William Read is senior vice president for employee relations of Atlantic Richfield.

Gentlemen, thank you all for being with us today.

Our purpose here this morning is not to review all the problems of retirement income. Instead, we intend to continue our look at one part of the solution. I am convinced that with the leadership of private enterprise, and with the assistance of Congress, much can be done to expand work options for older persons. In human terms, we can enhance the independence of older workers, and certainly reduce their pessimism about their income needs. And finally, in terms of cost, we may be able to reduce the growing pressures on social security and on our troubled pension programs.

Before we go to our witnesses, Senator Pete V. Domenici, the ranking minority member of our committee, is unable to be with us today due to a prior commitment. He has submitted a statement which, without objection, will be inserted into the record at this point.

Also, Senator John Heinz is unable to be with us and has submitted a statement for the record.

[The statements of Senators Domenici and Heinz follow:]

#### STATEMENT OF SENATOR PETE V. DOMENICI

Mr Chairman, I am pleased to have this opportunity to make a few brief remarks during this hearing of the Senate Special Committee on Aging on "Work After 65: Options for the 80's." This hearing, the second in the committee's series on work and retirement, will focus on private industry's response to the unique employment needs of the older worker.

I hope this morning's panel of distinguished corporate executives will explore the following topics: The level of interest among private companies in the problems of older workers, the costs private employers must absorb if they are to initiate programs to prolong employment life, the relative cost of retaining an older worker compared to hiring a new, younger one, and how Congress and the

Federal Government can support the efforts of private employers to provide increased job options and opportunities for older workers.

This last issue—the need for cooperation between the public and private sector on matters affecting the expanded employment life of the older worker—is one which deserves our utmost attention. I share the view of my colleagues on this committee that we, in Congress, must do what we can to assist private employers to take the lead in providing alternative work patterns and increased job opportunities to older employees. Current public policy—certain ERISA rules and regulations immediately come to mind—are actually thwarting private industry's attempts to best utilize the talents of their older workers. Today's witnesses, in addition to telling us what they are doing to meet the employment needs of the older worker, can also suggest to us ways by which we can facilitate their efforts. I look forward to working with you in an attempt to find that mix of public and private policies which will best meet the needs of the older workers we both desire to serve.

#### STATEMENT OF SENATOR JOHN HEINZ

Good morning. I would like to express my appreciation to the chairman for holding this hearing on what I view as one of the most critical and timely issues affecting older persons today—an adequate income for our older citizens. This must be a public policy imperative. We cannot allow the creation of a class of citizens where "old" is synonymous with "poor."

We know that we are entering a demographic revolution:

Life expectancy has increased almost 10 years since 1940

The number of older persons in the population is expected to double by the year 2030. The "postwar" baby boom will reappear in the 21st century as a "senior boom."

Ironically, while people are living longer, they are retiring earlier.

The ratio of active workers to retired citizens will change dramatically in the future. From 6-to-1 in 1980 to 3-to-1 in 2030. Many people will live from 20 to 30 years after the traditional age of retirement.

These demographic facts, coupled with ever-increasing inflation rates, will accentuate the desire of many older persons to continue employment beyond the official retirement age.

The private sector will play an increasingly indispensable role in the provision of continued training and employment opportunities for our Nation's older workers.

These are the realities as I see them, that guide us in our considerations here today.

In the first of our hearings in the series "Work After 65: Options for the 80's" we heard testimony that the Age Discrimination in Employment Act, extending the mandatory retirement age to 70 for most workers (and eliminating it entirely for those in the Federal service), has been a significant step toward permitting senior citizens to continue working. However, special employment opportunities, including retraining and employment assistance for older workers, may also be needed. The senior community service employment program of the Older Americans Act, which provides part-time employment in public service for low-income persons over 55, is an example of the public response to this need.

The response to questions of adequate retirement income and a productive role for the older segment of our population is, however, not exclusively a public sector responsibility. Public employment, as well as government-supported recreation and rehabilitation are not, by themselves, adequate solutions.

We know that the incentives to continue working are largely personal. However, the opportunity for a variety of options in the private sector job market, for flexible working arrangements and creative combinations of work and leisure time are often beyond the control of a single individual. It is a fact that the opportunity for individuals to continue working to change careers in later life and to receive training rests largely with private employers. It is in this arena that the companies represented by our witnesses here today can play a significant role.

We recognize that there are complexities and potential costs to offering these options and that these will require an examination of established and traditional patterns and procedures. But we must begin to turn our efforts to the creative

potential for increased productivity and retention of citizens of all ages in the work force.

Today, we will hear about the possibilities of opening private sector options for employment of older workers, as well as some of the barriers that you, as large employers, face in adjusting to an aging work force. I am confident that much can be done and that we can begin to forge the compact of public policy and private initiatives which will capitalize on the older worker as a resource to be valued, not a burden to be borne.

Senator CHILES. Mr. McCollough, we will start with your statement. All of your statements in full will be placed in the record and if there is anyway you can summarize your remarks for us, we would appreciate it; it will give us more time for questions.

**STATEMENT OF C. PETER McCOLOUGH, WASHINGTON, D.C.,  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER, XEROX CORP.;  
AND CHAIRMAN, PRESIDENT'S COMMISSION ON PENSION  
POLICY**

Mr. McCOLLOUGH. I would like to thank you, Senator, for the opportunity to testify before this distinguished committee today. I will address the issues you have outlined from two perspectives: As chairman and chief executive officer of Xerox Corp., and as Chairman of the President's Commission on Pension Policy.

At an earlier hearing in your series on employment opportunities for older workers, Dr. Woodruff, Executive Director of the President's Commission, summarized the objective of the Commission—to develop a national retirement income policy. In working toward this objective, we have focused our efforts on the difficulties that older Americans encounter in retirement. There are growing problems plaguing our traditional retirement systems as they strain to meet the needs of the elderly.

The Pension Commission recently completed 3 days of meetings during which we made a number of preliminary decisions on retirement income issues. Several of our recommendations relate specifically to the issue of increasing employment incentives and opportunities for older workers. While these decisions will be stated in our interim report to be released next week, I would like to share with you today the general principles behind some of our specific policy recommendations.

As a matter of basic public policy, the Commission believes that efforts should be directed toward insuring that all sources of income for the aged maintain their preretirement standard of living. The Commission endorses the current role of social security in providing a minimum floor of protection for the aged. However, we question whether social security should be relied upon to provide all income for retirees or disabled workers. The Commission believes that programs to supplement this floor of protection must be substantially increased.

Increasing amounts of national income will have to be devoted to pension benefits in the very near future as an even larger percentage of our population ages and lives longer in retirement. I know Dr. Woodruff mentioned the following figure in his testimony on April 24, but it bears repeating: "Total retirement, disability, and survivors benefits increased from 2 percent of GNP in 1950 to 8 percent of the GNP in 1975."

At the same time this growth was taking place, the relative roles of the public and private sectors were shifting considerably: Social security paid 27 percent of all of the benefits in 1950 and doubled its share of the benefits by 1976. At the same time, the share of the benefits paid by public and private employer pension plans decreased. By 1976, Federal programs—social security, railroad retirement, Federal employer plans—accounted for 76.2 percent of total retirement program benefits paid, private pension 17.3 percent, and State and local pensions 6.5 percent.

According to initial results of a survey by the Department of Labor and the Social Security Administration, only 51 percent of full-time workers in private industry were covered by a pension in 1979. The Commission's own survey shows that approximately 58 percent of all workers expect social security to be their primary source of retirement income. Only 15 percent expect to rely on their personal savings.

People who receive both social security and employer pensions in general have adequate retirement income. People who receive only social security, however, are much more likely to live in poverty. As of 1977, 27 percent of social security recipients 65 and over receive no other source of income. Their average total income was about \$2,300, which is below the poverty line for both couples and individuals.

These facts have forced us to look carefully at all retirement income sources.

Therefore, in addition to suggesting reforms of the Nation's retirement income programs that will expand private pension coverage as well as encourage individual retirement savings, the Commission wants to look at the definition of retirement. It may need to be changed in the future.

Today, we often think of the transition from work to retirement as going from a life of full-time employment to one of full-time leisure. For many, this sudden and complete withdrawal from the labor force creates complete financial dependency on retirement income programs.

The Pension Commission feels that the intergenerational dependence and growing pressure on our retirement systems can be partially relieved by increased work force participation by older workers. Put simply, we should encourage full- and part-time employment opportunities for older workers and retirees as a matter of national policy.

Older workers should be encouraged to remain in the work force to add to their retirement income and increase productivity. The Commission regrets the inaccurate stereotype that all older employees are unable or unwilling to work in their later years. We do not think this is accurate at all. However, we realize that people retire for a variety of reasons and that poor health can be of paramount importance. Further, we recognize that extended careers may not be appropriate for certain types of work. Therefore, early retirement must remain an option for some workers.

The Commission's staff working paper, "Employment of Older Workers: Incentives and Disincentives"—which I would like to submit for the record—suggests some alternatives for encouraging labor force participation among older workers.

Senator CHILES. Without objection, that will be made part of the record.<sup>1</sup>

<sup>1</sup> See appendix, Item 1 page 127

**Mr. McColough.** I would like to highlight some of those disincentives and incentives.

Within the context of the social security system, the earnings test represents a major disincentive to work. This is underscored by the fact that many beneficiaries who do work keep their earnings below the level at which benefits are reduced.

Many people work to supplement low social security benefits. Such workers would benefit then from removal of the earnings test. However, the elimination of the earnings test, unless accompanied by new tax policy, would also benefit those people with high earnings.

With regard to work incentives, alternative work patterns could solicit greater work force participation of older workers. The Commission wants to encourage and develop information on alternative work patterns through research and demonstration programs in existing Federal employment programs. Alternative work patterns include:

Part-time work options—older workers could switch to part-time employment with the same employer or begin part-time work with a new employer. Part-time work could be permanent or temporary. Interest in part-time employment was measured by a 1978 Harris poll in which 93 percent of the retired respondents and 23 percent of current employees indicated they would prefer continued part-time employment to full-time retirement. Furthermore, the category of part-time workers is one of the fastest growing segments of the U.S. work force. In 1978, 17 million people worked in part-time jobs.

An Age Discrimination in Employment Act (ADEA) impact survey found that part-time options were the most commonly provided alternative work pattern among the responding firms, with 29 percent of the firms having implemented or beginning to implement part-time options. Only 50 percent of the employers were not considering adopting such policies.

Phased or gradual retirement—in various forms, this policy involves a reduction in worktime and an increase in leisure time of older workers. Phased retirement offers both psychological and economic support to the employee approaching retirement. Employers retain the skills and productivity of older workers and may reduce costs associated with early retirement. But few employers presently offer phased retirement programs in the United States.

In a recent study of the impact of the ADEA amendments, 7 percent of the respondents indicated they had implemented phased retirement which was defined as a policy which allows a qualified worker to receive a partial pension while receiving partial wages.

Flexitime—flexible work hours offer employees the opportunity to choose their own arrival and departure time from work within limits set by management. This is already being used by private firms and Government agencies. For older workers, flexitime gives increased flexibility in adjusting work and leisure hours to suit individual needs. Most flexitime has been initiated by management to increase employee morale and job satisfaction, reduced turnover and ease problems of absenteeism and tardiness. Research evaluating flexitime shows no negative results. Flexitime appears to have few serious disadvantages.

I might add at this point my own strong feeling that the subject of alternative work patterns is extremely complex. A thorough develop-

ment of these options demands far more resources and time than is available to our Commission.

The Commission paper also suggested that job retraining and job redesign for older workers in private industry could be encouraged through tax incentives, Federal employment and training programs, and/or Federal contract requirements.

Job redesign has been recommended as an alternative to the traditional response of transferring, shelving, or encouraging early retirement of an older employee who can no longer perform a given job. Redesign is seen as changing a job in order to match the changing capacity of an aging worker. According to a 1967 Department of Labor report, few of the 1,000 largest American industrial corporations have specifically redesigned jobs for older workers.

Job retraining, though often unavailable to older workers, could help equip these workers for new jobs. More often than not, the opportunity to participate in new retaining programs declines as a person approaches retirement. This is because many employers feel that learning abilities decline with age. Others believe it is not cost effective to train older persons, as they assume older workers will have shorter worklives.

In general, we feel that older workers are not represented proportionately to their eligibility in Federal employment and training programs. Programs under the Comprehensive Employment and Training Act (CETA) have mainly served unemployed and underemployed youth. Over the last 4 years, scarcely 10 percent of all participants in programs were age 45 or over, with sharply declining participation by those over 55.

The 1978 amendments to CETA—section 308 of title III—mandating “the development and establishment \*\*\* of programs for middle-aged and older workers” will hopefully lead to a more equitable distribution of these resources to middle-aged and older workers.

The senior community service employment program funded under the Older Americans Act has successfully provided part-time jobs for chronically underemployed workers 55 and over who are below the poverty level. However, it cannot reach those above the poverty level who have not been chronically unemployed but who may need the assistance of employment programs in order to compete for job opportunities.

While the Commission has not specifically decided what tax incentives should be offered to private industry to encourage employers to hire older workers, the Commission is aware of two programs under CETA.

One: Targeted job tax credit which provides a tax credit equal to half the first year salary up to a maximum, then one-fourth of the maximum the second year; and

Two: Private sector incentive program which encourages employers to hire unemployed individuals for on-the-job training because CETA pays the training costs and the worker's wages.

While these programs are largely aimed at helping the young, they could serve older workers as well.

I would like to add with regard to mandatory retirement, the Commission deferred discussion on this issue because we do not have enough

experience with the impact of the 1978 amendments to the act which raised covered ages from 65 to 70.

At this point, I would like to briefly outline the efforts of my own corporation to address the needs of older workers.

Under the Xerox pension plan employees who retire at age 65 with 30 years or more service receive benefits based on 50 percent of the five highest salary years, less 50 percent of their social security benefits. For those with less than 30 years of service, who wish to stay beyond age 65, pay and years of service will continue to accrue.

In July 1977, the company initiated a retirement income guarantee plan which provides a basic floor or minimum income level for U.S. employees. In January 1978, Xerox provided its first post-retirement benefit increase with additional raises scheduled for retirees in July of this year.

A uniform preretirement counseling program is being developed and is scheduled for implementation in 1981. These 2-day counseling programs will be for prospective retirees age 55 and their spouses. The programs will focus on a series of topics including: Financial and estate planning, Xerox benefits, lifestyles, diet, hobbies, and so forth.

Xerox has a disproportionately small number of older workers compared with other corporations of similar size. The company currently has 815 retirees on a base of 60,000 U.S. employees. If we took our 60,000 overseas employees, the base would be even smaller. We have, however, addressed the problems and needs of older workers through support of external programs such as: national journal funding of publications on aging and participation in annual conferences; Andrus School of Gerontology, University of Southern California and the Business Institute of Gerontology funding for research and development; and Japan Society, Inc., partial funding of a study on the implications of an aging labor force in Japan and the United States.

In closing, I hope that the work of the Commission, particularly in this area, will be useful to the committee. I look forward to sharing our interim recommendations with you in the very near future.

Thank you very much.

Senator CHILES. Thank you very much. I think we will try to hear from all of the panel.

#### STATEMENT BY SENATOR CHARLES H. PERCY

Senator PERCY. Mr. Chairman, I wonder if I could make a quick personal comment.

I am very grateful indeed to have Mr. Page here. Years ago, Bell & Howell manufactured just millions of Polaroid cameras. We had a very close working relationship with your chairman. They have had a long standing flexible retirement policy. I think that the work that they have done in this field is extraordinarily distinguished.

One of the examples of how a company can continue to employ older workers and yet save money is illustrated by Bankers Life & Casualty Co. of Chicago. The retiree temporary worker pool formed in March 1979 has saved the company thousands of dollars in employment fees and has provided retirees an opportunity to work.

So I really believe, Mr. Chairman, we have an extraordinary and a distinguished panel. I think all American industry will benefit from your testimony as well as every member of this committee.

Mr. Chairman, I have a prepared statement that I ask be inserted into the record.

Senator CHILES. Without objection, Senator Percy's statement will be inserted at this point.

[The prepared statement of Senator Percy follows:]

**PREPARED STATEMENT OF SENATOR CHARLES H. PERCY**

Mr. Chairman today's elderly Americans are a pioneer generation—they are the first in history to experience a long and early retirement.

However, their dreams of having a comfortable retirement are rapidly changing. Inflation, the major reason why dreams are breaking, is having a serious impact on the elderly. It is not only eroding the meager retirement incomes of most older persons, but it is dramatically shrinking their purchasing power. It is threatening the economic well-being of older persons especially those living on fixed incomes.

Still, the evidence suggests that people are opting for early retirement despite the economic problems early retirement may bring. Although the mandatory retirement age has been raised for most workers from 65 to 67, there is little evidence to support the belief that many workers are staying at their jobs the extra 5 years.

There is an obvious contradiction here—and we need to address ourselves to it. Could it be that by encouraging people to work as long as they can be productive, we will help ease their economic problems as well?

We have achieved major advancements in medicine and technology that make it possible to prolong life. We have been told that since 1940 life expectancy has increased by almost 10 years. Today a man can expect to live to 68 and a woman to 77, with 76 percent of the population reaching age 65.

Over 11 percent of our population—an estimated 25 million Americans—is aged 65 or over. The trend in America is toward an aging society, with a dramatic increase in the proportion of elderly and an equally striking reduction in the proportion of young. The post World War II baby boom soon will become the senior boom in the next century. It is projected that by the year 2030 over 55 million Americans will be 65 or over. Thus, in terms of sheer numbers, retirement should be regarded as a major social issue in the United States. How we deal with our current retirement and employment policies will not only have a profound impact on older workers but also on our own futures as well. We need to review private and public sector policies which have encouraged retirement of physically and mentally able older Americans.

Unemployment statistics do not reflect the number of persons who would like to work but who have given up seeking employment because they feel prospects are hopeless. What options are available to these people in job counseling and retraining programs?

In the continuing series of hearings on Work After 65, Options for the 80's the committee will be hearing today from top executive officers from major companies—Xerox, Bankers Life & Casualty of Chicago, Polaroid, and Atlantic Richfield. I want to hear from the officers about not only what options they are offering for the employment of older workers but also what their companies are doing to properly prepare older workers for retirement.

I am pleased that Gerald Maguire, vice president of corporate services for Bankers Life & Casualty Co. of Chicago, Ill. will be testifying on his company's long-standing nonmandatory retirement policy. One of the examples of how a company can continue to employ older workers and yet save money is found at Bankers Life. I understand that Bankers Life's retiree temporary worker pool which began operating in March 1979 has saved the company thousands of dollars in employer fees and most importantly has provided retirees an opportunity to work and share their valuable services.

For the last 2 years Bankers Life & Casualty Co. and Northeastern Illinois University, Chicago, have sponsored the National Conference on Age and Employment in Chicago. The conferences have enabled all who have attended

an opportunity to share the experiences, systems, and procedures of their business, academic institutions, and service agencies in the hiring and retention of older workers.

I wish to commend Bankers Life & Casualty Co for developing fresh approaches toward retraining older workers, and giving many of them the chance to feel productive.

Senator CHILES. Mr. Page?

**STATEMENT OF HAROLD S. PAGE, CAMBRIDGE, MASS., VICE PRESIDENT, PERSONNEL, POLAROID CORP.**

Mr. PAGE. Thank you, Senator, for the invitation this morning. What I would like to do is describe the Polaroid experience with nonmandatory retirement. The corporation has never had mandatory retirement. We retired our first person in 1955 and I suspect that was when the question of whether or not we should have mandatory retirement came up.

Through the 1950's we had a program that allowed people to continue working beyond age 65 requesting it through an extension review program. If they were in good health, had good performance, and had some degree of a thought-out retirement program, we allowed them to continue. During that period just about everyone who requested to stay was allowed to stay. With the passage of the Age Discrimination in Employment Act, we abandoned the request system completely for those under age 70 and we applied the extension review program to people who were 70 years and older, so people today at 70 years can continue working if they so desire.

Our oldest current active employee is a lead guard who is 74 years old and a very vital part of our security force. We have about 620 people who have retired from Polaroid. We are a relatively young company. Of that 620, 52 percent have retired before age 65. Over the years about 20 percent has retired at 65 and almost 30 percent have stayed beyond age 65.

We have a profit-sharing retirement plan that was started in 1952, a pension plan that was started in 1972, and we provide medical and life insurance benefits for retirees and their families. The average 30-year career employee who leaves Polaroid would anticipate 60 to 65 percent and a few people up to 70 percent of their pay replaced from a combination of pension, profit sharing, and social security.

We believe that this retirement package, as best we can determine, is above average for American industrial companies.

Retirement counseling has been available at Polaroid since the 1950's. In its earliest stage it told people about our plans and about social security so that they could administratively understand what kind of income they would have. Today our counseling function covers a much wider range, it includes group sessions, seminars, and several one-on-one meetings.

Our retirement philosophy is much the same as our philosophy on other issues in the company. We want our employees to have the freedom of choice and to take individual responsibility for their actions. The company feels its responsibility in career development is to provide encouragement and support for employees and to provide the best tools for career change that we have. We have a posting system

that goes from the lowest level all the way up to corporate officers. We have extensive education and training programs and we have a full-time-career-development staff.

The atmosphere within the company is deliberately competitive. Employees can expect to encounter a wide variety of choices. What they make of these opportunities is their choice. The company's role has tried to be neutral in not pulling or pushing employees in any direction but to provide the opportunities and have them take advantage of them.

Retirement decisions are much the same. Our policy is to provide retirement any time between the ages of 55 into the 70's. Pressure is not exerted on people to stay or to leave. We try to provide employees all the tools necessary to make a wise choice regarding their own retirement. We will help people carry out particular retirement choices. For instance, facilitating in tapering off schedules and so forth.

Our history in this nonmandatory retirement and counseling I think has uncovered what most everyone finds, that retirement is an intensely individualistic issue. Some people welcome it, some people dread it. All view it slightly different from one another. I think one might characterize retirement as meaning different things to different people at different times and it also means different things to the same person at different times in his or her life.

So with that in mind we put together a wide variety of seminars and counseling sessions. At age 55 we personally invite all of our employees reaching age 55 to a 4-hour seminar to give them the broad aspects of retirement, social security, what their benefits are. Many don't come at age 55, some may show up at 57 or 58.

We have a thing called window-shopping conferences where anywhere in that 15-year period an employee can come in and look through the variety of retirement benefits he or she might get at different ages and at different times to sort of feel out where they are at different positions in their life. We will hold maybe 200 of those conferences each year with a variety of different employees.

We have specific pretirement conferences as a person nears their retirement decision. The retirement counselor may spend 4, 6, even 8 hours with a person probably including their spouse, a close relative, or a friend discussing attitudes toward retirement, use of time when they retire, difficulties of transition, suitable retirement activities, retirement considerations, and most any other subject that we think or that the employee thinks is significant to that individual situation.

The employee is encouraged at this point to take a hard look at retirement because they are closing in on making a decision. We want them to address the question, Is it right for them? Is retirement the right step ever? How they are going to spend the next 20 years or so of their life. In some instances this might also be a time to discuss alternative options so that they don't feel that they are only locked into one option and that is to retire.

One of the alternatives we have used has been a thing we have called rehearsal retirement where we will grant someone a leave of absence for 2 or 3 months to see what it is like not to have to come to work every day and not to have a paycheck or have their deduc-

tions taken care of. After that they may chose to go on to retirement or come back to the company, having tried retirement and finding it didn't work. We also have employees on tapering off schedules that allow them to cut down to a less than 4- or 5-day workweek to sort of phase into retirement.

We also run twice a year, during the spring and the fall, a pre-retirement seminar series on retirement. This is for all employees 60 years and older and for younger employees who are thinking about earlier retirement. The seminars are run in the evening to enable spouses, friends, and family to show up, especially if the other spouse may be working. The subjects covered include financial planning, legal matters, good life habits, use of time, social security and all of what we would call the traditional things.

Again, our experience has been that 50 percent or so of our people go early, 25 percent or so around 65, and 25 percent historically have stayed beyond 65. One trend that we are noticing is that people who do reach 65 and are still actively in the work force are now extending longer. We don't know whether this tendency of age-65 employees to continue working is due to economic conditions, changes in the law, retirement philosophy, or some other undetermined cause. The switch in the statistics have come in the last 2 or 3 years. Our retirement mix is about the same as the mix of employees in the company. One-third of our work force is professional, two-thirds of it is nonprofessional.

The thing that I think that is most significant in our experience is this ability to self-select. Overwhelmingly what we find is that people who choose to stay beyond 65 are basically the people management would choose to have stay beyond 65. The people that leave early are usually people who have health problems or performance problems or in some way their contribution is being diminished.

So with that in mind, self-selection has done exactly what we want it to do. To be sure, there are some exceptions. Some valued people have left early and a few bad performers have stayed on. The exceptions are few. I think I can't impress enough on people that if we just let the self selection take its course, things seem to settle out just about right. That has been our basic experience.

People by and large who are staying on want to stay in the same job. We have not had great success with changing careers or changing jobs at that late age level. We are learning to facilitate the tapering off business; that is, less than a full 40-hour workweek. Performance reviews historically have been somewhat of a problem throughout all employees' careers in the company. And it has been difficult sometimes for supervisors to address performance as appropriately with someone very close to retirement as they would in a younger person; but that has not been a major issue although we have seen some difficulties in that area.

Polaroid maintains a very outstanding attendance record for a company of our size. We monitor it closely. We have a great amount of recordkeeping around it. Our observation is that the story that the older workers have poor attendance is purely a myth. When we look at people over 65, their attendance is substantially the same as everybody else's, quite good. In fact, the number of people who have perfect attendance in our work force is 10 percent and in our post-65 people that percentage is 18 percent.

In concluding, I guess I would like to say first self-selection is a very important issue. The second important issue to us is to treat people that are working beyond 65 as full corporate citizens. We don't reduce our benefits programs, we don't stop the benefit or pension accrual. In every sense everyone working at 67, 68, or 70 is treated exactly like any other employee we have. We have not said work beyond 65 but you will get only part of the package.

So in short, having some 30 years of experience with it, though it is small because we are a young company, we would say treat everybody the same, let people self-select, provide appropriate counseling, and let people make their own choices and it will work just fine.

Thank you.

**Senator CHILES.** Thank you, Mr. Page. It sounds like you have a very flexible system. We have a quasi-flexible system. We get a chance every 6 years. We wish to continue but it is not completely flexible. We go before a board that determines whether we can continue or not [laughter].

**Mr. PAGE.** Most of you seem to be doing pretty well at that.

**Senator CHILES.** Without objection, the prepared statement of Mr. Page will be entered into the record now.

[The prepared statement of Mr. Page follows:]

#### PREPARED STATEMENT OF HAROLD S. PAGE

Polaroid is a high technology company that was incorporated in 1937 by Edwin H. Land to research and develop optics and to manufacture the world's first synthetic polarizing filters. During World War II, the company experienced considerable growth due to the extensive use of Polaroid filters in military weapons and hardware. Shortly after the war, Land applied for his first patent on an instant camera and launched the company into the new field of instant photography. Today we sell approximately 1.3 billion dollars' worth of instant cameras, film, and related products a year.

The company employs approximately 14,000 people in the United States, most of whom work in eastern Massachusetts. Distribution centers and sales offices are located in other States and overseas. We also have manufacturing plants in Holland and Scotland. Approximately one-third of Polaroid's U.S. employees hold professional, exempt jobs.

#### RETIREMENT HISTORY

##### *Retirement age*

The timing of retirement at Polaroid has always been flexible. There is no documentation available that indicates there has ever been a mandatory retirement policy at any given age.

Beginning in the middle of the 1950's, members were allowed to continue working beyond age 65 through what was known as the extension review program. Extension approvals were based on good health, good performance, and evidence of a well thought out retirement plan; it was also stipulated that an active company layoff could be reason to curtail extensions. Under this review system, the vast majority of employees who wanted to continue working beyond age 65 were allowed to do so, and our oldest active employee is currently age 74. With the passage of ADEA, the extension review program now applies only to members age 70 and older.

##### *Number of retirees*

The first employee to retire from Polaroid left the company in 1955. Since then, approximately 620 employees have retired, one-third from exempt jobs, and two-thirds from nonexempt jobs. Of this 620, 52 percent have retired under age 65, 21 percent at age 65, and 27 beyond age 65.

##### *Retirement plans*

The company's retirement benefit program consists of a profit-sharing plan that started in 1952, a pension plan that started in 1972, and medical and life

insurance benefits for retirees and their families. The average 30-year career employee who leaves Polaroid at age 65 can anticipate having 60 to 65 percent of his or her pay replaced from a combination of pension, profit sharing, and social security. If an employee wishes to take early retirement from age 55 on, his or her pension is discounted by 3 percent per year. Our belief is that this retirement package is above average for American industrial companies.

#### *Retirement counseling*

Retirement counseling has been available at Polaroid since the mid-1950's. In its earliest stages, it was part of the company's regular counseling staff's responsibilities. However, by the mid-1960's, the number of people retiring had grown to such an extent that it became a separate, formalized function. Counseling sessions were originally designed essentially to insure that employees understood Polaroid's retirement plans and how to apply for social security. Today the counseling function covers a much wider range of topics and has expanded to include seminars, group sessions, and several one-to-one meetings.

#### **RETIREMENT PHILOSOPHY**

Polaroid's philosophical approach to retirement is based on the same concepts that underlie our approach to career development: Freedom of choice and individual responsibility.

The company feels its responsibility in career development is to provide employees with encouragement and support and to provide the best tools available for career change—such as our strongly supported job posting system for hourly and salaried jobs, our extensive educational and training programs, and a full-time career development staff for group and individual career counseling. But when and how one uses these tools is a personal decision. The atmosphere within the company is deliberately competitive and employees can expect to encounter a wide variety of career choices while they work here. But what they make of these opportunities is their own choice. The company does not pull or push one way or the other.

The decision of when to retire is also left up to the individual. Our policy provides for retirement any time between the ages of 55 and 70, and after age 70 on an extension approval basis. Pressure is not exerted on employees either to stay or leave. What the company tries to provide for employees during that time are all the necessary tools to make a wise choice regarding their own retirement. We will also help employees carry out their particular retirement plan choices, for example we would help facilitate a tapering-off schedule that had to be worked out with an employee's department manager, but we would not assume the responsibility of making such an arrangement happen.

#### **SPECIFIC RETIREMENT PROGRAMS**

Our long history of retirement counseling has uncovered the intensely individualistic nature of the way people think about retirement. Some people welcome it, others dread it. Almost all view it slightly differently from one another. We have also found that retirement is viewed differently by the same person as his or her life circumstances change. The counseling program we offer is therefore designed to respond to this variety of needs by giving employees a number of different formats in which to discuss retirement.

#### *The age 55 seminar*

Each year all employees turning age 55 are invited to attend a 4-hour seminar to discuss Polaroid's retirement benefits and social security. Attendance is strictly optional and quite often an employee who doesn't elect to come at age 55 will show up a few years later. The discussions, at this point, are very general.

#### *Window-shopping conferences*

Because employees have a span of 15 years or more in which to retire, many are interested in sitting with our retirement counselor and taking a look at what their financial situation might be at several different retirement ages. This sort of conference is welcomed and spouses are encouraged to attend. Approximately 200 such conferences are held each year for employees age 55 and over.

#### *Preretirement conferences*

As a person nears his or her retirement decision, Polaroid's retirement counselor spends between 4 and 6 hours with each employee, and usually his or her

spouse or close relative, discussing attitudes toward retirement, the use of time, the difficulties of transition, suitable retirement activities, and major financial considerations of retirement. This latter area included data about benefits and how to budget and survive in an inflationary economy, as well as how to provide for survivors.

The employee is encouraged at this point to take a hard look at retirement and to ask questions such as "Is retirement the right step for me now?" "Is it the right step for me ever?" "How am I going to spend the next 20 or 30 years of my life?" etc. In some instances, this might also be the time to start discussing alternative retirement options if an abrupt severance from the company is not a good choice for the individual. Some of the alternatives Polaroid has been exploring with employees include:

*Rehearsal retirements*—This allows the employee to take a 3- to 6-month leave of absence without pay in order to get the feel of retirement and to see if he or she is ready to retire. If the answer is no, then a plan for more preparation can be devised. At the end of the leave, the employee returns to his or her previous job. Specific leaves have been part of Polaroid's policy for years, but the acceptance of rehearsal retirement as a justification for such a leave is new.

*Tapering off*.—This allows the employee to gradually reduce his or her hours of work over a period of time, usually at least 2 years. A great deal of flexibility is needed in this situation to find a plan that serves the interests of both the employee and the department.

#### *Retirement seminar series*

Twice a year, Polaroid's retirement office offers a six-part evening seminar series for anyone age 60 or older and for younger employees who plan to retire within a year. The seminars cover such topics as financial planning, legal matters, good life habits, career development in retirement, use of time, and social security. These seminars are provided for the employee's information only and a cafeteria approach is used; employees can come to one, two, or all six meetings, or can pick up a few in the spring and others the following fall. The seminars are deliberately held at night to make it easier for spouses who also work to attend. Out of about 700 eligible employees, approximately 120 can be expected to attend each series.

#### RETIREMENT EXPERIENCE 1976-80

Polaroid's experience with a flexible retirement system has produced the following results and observations.

##### *Retirement age*

As the chart below shows, more than half of the people who retire from Polaroid in any given year are under age 65.

	[In percent]			
	1976	1977	1978	1979
Total retirees for 1 yr				
Under age 65	52	59	58	60
At age 65	24	29	26	17
Over age 65	24	12	16	23

On the other hand, we have observed that over the last 3 years, more and more of our employees who have worked to age 65 are electing to continue working. As shown on the chart below, in 1976 63 percent of our age 65 employees chose to stay. In 1979, that percentage had risen to 80 percent.

##### Percentage of age 65 employees continuing to work

1976	63
1977	52
1978	70
1979	80

Whether this tendency of age 65 employees to continue working is due to economic conditions, our retirement philosophy, or changes in the retirement laws is undetermined.

***Exempt/nonexempt mix***

Before the ADEA, most of the employees who elected to continue working held nonexempt positions even though the option was open to all. However, we now find the same percent of the exempt population as the nonexempt population is continuing to work past age 65.

***Self-selection***

We find that the flexibility of allowing individuals to choose their own retirement dates has not produced any unfavorable results in who stays and who leaves. We have found for the most part that those who are productive and who are seen as good workers by management are those who, in fact, are apt to stay. We have also found that those who for health or performance reasons have diminished in their contribution are more apt to want to retire early. Those with other pursuits in mind also tend to retire early. There have, of course, been exceptions, valued people have left early, and poor performers have stayed on. But the exceptions are few and have never given us enough concern to think about changing our free choice policy.

***Same job***

We have found that most employees who continue working beyond age 65 prefer to stay in the *same* jobs that they have held up to age 65. We are, however, getting more employee requests to work a reduced work schedule within the same job. As mentioned earlier, we are learning to accommodate and facilitate tapering-off arrangements.

***Performance reviews***

Age 65 has always been viewed as the traditional retirement age—even within our flexible system. Knowing this, employees and supervisors would often slip into an unspoken ease-off contract that placed fewer and fewer performance demands on the employee as his or her retirement date drew near.

Now that ADEA has made retirement age less definite, supervisors and employees alike are in a position of having to reevaluate the use of the performance review. Our belief is that employees should be expected to maintain acceptable performance to the end of their careers, and supervisors should be expected to address any unreasonable slippage in productivity or contribution in the older worker, however we do not have enough experience to indicate how we are proceeding along these lines. This has been a difficult area for supervisors in the past and we anticipate it will continue to be so for some time.

***Attendance***

Polaroid maintains an excellent attendance record and closely monitors its absentee rates for all ages. And our records show that the rate of absenteeism for our employees age 65 and over is nearly identical to that of our under-age-65 population. There is, however, one commendable distinction between the two groups: while 10 percent of the under age-65 population has perfect attendance, that number jumps to 18 percent for those age 65 and older. Thus, we have never seen any data to support the myth that older employees are ill and absent more often than other employees.

***Full-time status***

We believe strongly in the importance of granting full corporate citizenship to all employees, whatever their age may be. This means we believe *all* employees should continue occurring benefits under the pension and profit-sharing plans, should continue being eligible for merit increases based on improved performance, and should continue being eligible to take advantage of the job posting system and any other career development tools if they wish to do so. We would expect fewer employees to continue working at Polaroid beyond age 65 if this were not our policy.

Senator CHILDS. Mr. Maguire?

**STATEMENT OF GERALD L. MAGUIRE, CHICAGO, ILL., VICE  
PRESIDENT OF CORPORATE SERVICES, BANKERS LIFE &  
CASUALTY CO.**

Mr. MAGUIRE. Mr. Chairman, thank you very much for the opportunity for Bankers Life to visit. I would like to say a special thanks

to our Senator, Chuck Percy, who has helped us in several of the conferences that we have sponsored in the past few years on this very subject. I would like to talk about that in a few minutes. I am going to highlight my prepared statement.<sup>1</sup> I must say with our other two giant corporations here, we are young and most of our benefit programs are as described by the other corporations. Our nonmandatory retirement through history has been exactly the same as Polaroid. We are relatively young, probably 40 years old, in the sense of actually making any money.

I guess in terms of the success of what really typifies what has happened with our company, we had a gentleman, who as a matter of fact, was one of the first auditors hired by IRS when it was set up in 1914. He later went to an accounting firm and they had mandatory retirement and he had to retire at age 65. He came to work for Bankers Life and before he died we were able to award him a gold watch for 25 years of service.

He was 90 and died a little bit after that. We don't think there was any connection with that. But the important thing was that he performed a service as well as anybody 18 years old could have performed, or 30 years old, the last week that he was with the company. I think that that is typical of what Polaroid has experienced.

We find that the people involved do self-select. They have a fierce independence, a fierce pride of people, who do choose to come to age 65 as a worker, and go beyond that, seem to be a special breed of people. We find that they also self-select themselves into retirement 2, 5, 8, 10 years later, whatever it is, when they feel that they are slipping.

We think it is very important that any employer, not just the private sector, have standards of performance that they expect all people to meet. In our case we try to stretch on the front end when new people are hired regardless of what may be their particular problem. We have been very heavy in working with the handicapped. We will stretch to try and make accommodations to them in their training and in the equipment that is necessary. We will stretch for people who are re-entering the employment field after many years, as is the case of the 40-, 50-, or 60-year-old female, to help them through that but there is a point in time where they need to reach the same performance standard as their peers and I think that is one of the key things that scares a lot of employers. If you are not willing to require the same standards for everyone, then the lack of mandatory retirement can be a problem for you.

I will touch briefly on a few things. As in the case of Polaroid, the retirement benefits are exactly the same regardless of age and I think as you look at any other employment practice it is extremely important that you not isolate any group of people—they are people. Older people are just other persons in a group. If we isolate them with any kind of special treatment, good or bad, then we make it difficult for them to live with it and just as difficult if we treat them better.

In the case of our preretirement program, we don't call it that any more. When we first started it we did exactly the same as Polaroid was speaking of. We made it available to 55-year-olds, and our first three groups of people, as we asked them to critique the program, said

<sup>1</sup> Mr. Maguire's prepared statement appears on page 104

the very first thing you need to do is change this and get it to people as early as possible, preferably in their twenties. When you are 55 and you have 10 years to go and somebody tells you how to invest your funds, you don't have that much room left. So we have changed it to life planning. I think maybe one of the things that could be an effort of Congress would be to buy some educational or some other devices to help focus on the retirement or the older age period when people are much younger, when there is still the opportunity to do the things that are very difficult to do in the fifties and sixties.

We did start, as Chuck Percy mentioned, Senator Percy—

Senator PERCY. You were right the first time.

Mr. MAGUIRE [continuing]. Our retirement pool which I think if anybody gets involved in that they will find it a delightful experience. What we do now, we have not done this for very long, just a few years, as a part of the counseling of an individual, we talk to them about the option of signing up the approval. It is kind of like your commercial temporary accrual. We tell them that they can work for hours or days or weeks, depending upon their time and depending upon the work that is available to the company.

We have entirely eliminated the use of any temporary services as a result and we have, as a matter of fact, retirees who are anxious to work days and weeks at a time and they do about three times as well as the commercial—I hope we don't have commercial temporary groups here in the House, in the Senate. But the fact that they know the company and know the policies, they even know how to get there which sometimes it is important. It has been a very rewarding experience and bottom line as well.

Just to take a couple of moments on myths. As in the case of Polaroid, we feel that there are a lot of myths and they might as well be dissolved as soon as possible. I will go to the recommendation and come back. Senator Claes asked that we, as a panel, among other things, make recommendations to the Senate about what the Senate and the House might do in the future to be prepared for the changes that are taking place in the population. We think that anyway that there could be an expanded teamwork between the private sector, and for that matter employers in other sectors, and with Congress and the executive branch to be able to share the experiences of successful work of the older worker.

The real dollars are in people continuing to do that thing they are capable of doing. It is the most economical way of spending any money in this field. Those who are capable of it, who have the experience, the training, are already set up. The fact that on September 14 somebody turns 65 or 70 certainly does not change their physical or mental ability. Somewhere along the line, sometimes at age 29, senility happens to people, and sometimes it is 93.

It is an enormous economic pool and in terms of what might be done, I think the first important thing is to find ways—if it takes some priming in the sense of modest tax incentives like WIN for a few years to get people in it, OK, but if it takes massive educational programs, positive ones—not confrontations, not political, but rather positive education—we think that that would be the single most significant thing that could be done.

A great opportunity would be that—maybe this is part of the plan as I have not seen the agenda—the 1981 White House Conference on, as I understand it now, it is Life—it has been changed from aging to a new name, anyhow. If a significant piece of that could be devoted to the single subject of getting employers and I think chief executive officers are the basic group in large numbers and let them be exposed to the best thinking about what a basic economic resource their older worker can be, I think it might be one of the more significant things to be done.

Very quickly, we have found that the fact that you do not have mandatory retirement, as we have not had for 40-some years, does not cause you to be overloaded with older workers. Most people do have reasons that they want to retire, very good reasons. Those who don't want to retire turn out to be just fantastic people.

We do not find that younger workers are discouraged by working with the older people. We find there are very warm relationships that grow between people 20 and 30 years apart, that they are not nearly so concerned about working for a boss who is 67 as they are working for one who is 32. It is a lot longer to wait.

We also find the absenteeism is about the same, slightly better, for the older worker. They tend to be off less frequently but for slightly longer period of time averaging out slightly better.

Our accident rate, which of course as a white-collar employer we have things like staple cuts and somebody falling down the steps once in a while, we do not have the frequency that a blue-collar firm would have, but it still is in the hundreds of accidents per year for a fairly large company. We find that our compensable time lost is about somewhere between a third and a fifth for the older worker as opposed to the regular worker. I don't know how it would be in another industry.

We also find that productivity, we are a result-oriented organization with work measurement and probably 85 percent of our jobs we expect the results and basically we get it. We find that the older worker is just as productive which leads to the next and last one, the older worker will come to the boss—in fact, in preparing for testimony a couple of years ago, and like as we were talking earlier, like Polaroid, we thought everybody had those policies and practices.

A few years ago when we had to do some testimony I had to go back and check with our managers to find out some things. We could not recall in our 40-year history of a single incidence where we had to sit an older worker down and say, "Charlie, you have to retire." Those people who choose to stay seem to have a far more self-discipline than any manager or boss would ever give them and when they feel that they are slipping a little bit, they go to the boss and say, "June, I think I would like to plan on retiring and let's get somebody in to take my place."

I would like to complete the testimony and say that we feel, as we have done in the past, sponsoring is a part of our social responsibility in various forums, various conferences where we might get employers together and try to share this. I think those companies who can choose to take part of their corporate responsibility budget and put it into that, whether they have the experience or not, I think it is one of the key things that we can do. I think that if we could count on a heavy

participation of the executive and congressional branches to give us the panels and the experts and support that would be one of the things and I know that we plan to continue to do that.

I thank you, Mr. Chairman.

Senator CHILES. Thank you, Mr. Maguire. Without objection, Mr. Maguire's prepared statement will be entered into the record at this time.

[The prepared statement of Mr. Maguire follows:]

PREPARED STATEMENT OF GERALD L. MAGUIRE

Speaking for Bob Ewing, president of Bankers Life & Casualty Co. and the officers, managers, and employees of Bankers Life, we heartily congratulate the Senator and the Special Committee on Aging on their far-reaching insights on this important national issue. We appreciate the opportunity to share experiences and ideas about actions which both industry and Congress can take to further apply the wisdom, knowledge, and energy of our society's older workers. In doing so, I believe we, meaning each of us here today, can not only help improve the way of life for these particular individuals but for all Americans, and we can help improve the gross national product of the country.

The chairman asked that we, in private industry, describe our programs and policies leading to positive utilization of older workers. He asked us to consider the barriers that may exist, and to share suggestions on those things that Congress might do to help private industry capture the valuable resource that exists in the so-called older worker.

To consider these things, I think we need to carefully look at our own experiences and share what we have learned in each of our companies.

I'd like to talk about some of experiences at Bankers Life & Casualty Co. Over the past 40 years, basically during the whole economic history of the company, we have had virtually no barriers to employment. This was not because well-meaning personnel directors or highly enlightened managers said that would be fair and right, but because our approach to employment is based on each person's ability to do a job.

We do not make judgments on the basis of group—we won't judge older people because they're older, handicapped because they're paraplegics or deaf mutes, or minorities because they are Hispanic, black, or female.

We did not have personnel experts to tell us who we should and should not hire. We had the work to do, and we made that work available to anyone who was able and willing to try. We recognized that arbitrary factors such as age, handicap, or race were not important—we wanted ability, motivation, and the willingness to work.

We also recognized that most facilities and most organizations were not prepared to handle people with special problems. We found that with a reasonable amount of special accommodations such as special equipment, a little extra training, and so on, these people became excellent productive employees. That has remained true throughout our history.

We told these employees that at a certain point in time they needed to be producing and delivering bottom-line results, the same as any other employee. Of course, we realize that all individuals have different paces, but we expect results to be within the norm. As we talked with our so-called protected or special groups over the years they have said time and again that it was very important to them to have to meet the same standards. They felt that if they had a job at Bankers Life because of their handicap or special problem or because of their age they would not have felt any worth or accomplishment in what they did.

Our experience has been that their fierce independence and conviction that they could do a job alongside anybody else have made them more highly motivated, more committed, more achievement-oriented employees.

There are hundreds of people in our majority category who also excel and are superior employees, but we found that in those groups that have special problems there tends to be a large percentage who are very highly motivated, much more inclined to show that they can do the job. Because of this, it never occurred to us there was a certain period in time when one was no longer productive.

It would have been very difficult for someone to try and convince our managers that an employee who was perfectly adequate on December 1 as suddenly not

capable of doing the job any longer on December 19 just because he or she became age 65. It didn't make any sense then, and it certainly doesn't make any sense now.

We feel that this general approach to employment, not just to the older worker but to all groups, majority and minority, specialized and protected, has allowed us to get a strong loyalty, faith, and trust that we might have never encountered without it. We believe this approach may be one of the key reasons for the rather spectacular growth of our company in the post-war period.

I'd like to talk about some of the things that we have done and are now doing at Bankers Life. As I mentioned, we've always hired and retained people regardless of age, and we've provided them with the same benefits and programs which are provided to all employees.

We always encourage our retirees to feel that they are still an important part of our team. We send them our monthly newspaper and notices about company activities and trips. We keep them involved. Many continue to come to the company, to have breakfast with their friends, as much as 5 or 8 years after they've retired. They come on Wednesday night and play pinochle. They attend the monthly travel club meetings. When we have our formal programs for the long-service employees, the veterans in experience, we invite retirees to join us.

Remember, we don't force retirement. When someone does retire, it's his or her own choice. We found that often they would like to continue working on a part-time basis or perhaps take some time off and return to work later. When someone retires or is preparing to retire, we suggest they register with our human resources departments for part-time work assignments, assignments that would typically go to temporary employment agencies.

This work program for retirees is a sort of combination of gradual retirement, flexible work schedules, and part-time work. Through the program, retirees can work at their convenience on part-time temporary or long-term job assignments.

When the program first started, at 8 a.m.—the beginning of our workday, one manager requested the assistance of six retirees—immediately. With the help of our senior counselor, six retirees were on the job and ready to work within an hour. The manager thought that six workers could complete the project within 1 workday, and when the retirees were finished in less than 3 hours, needless to say, the program had gained a strong advocate. Since that time, requests for our retirees' help have increased tremendously, and we're proud to say that each task has been done with enthusiasm and competency.

The program is generally interesting and exciting to the retirees. It fits in with their decision to not work full time; it fulfills their need for activity, and it helps supplement their income. The company obtains the services of experienced, reliable workers, and does so at a significantly lower cost than would be afforded by temporary agencies. We feel that this is an extremely cost-effective program. Properly measured, the cost of filling jobs with experienced retirees is probably one-third the cost of doing this by other means.

In recent years, we adjusted our approach to benefits programs. They were originally set up, as were virtually all benefits programs 20, 30, 40 years ago, on the actuarial experience available at the time. That actuarial experience indicates that at the magical age of 65 something had to happen to a person from a benefit point of view.

Retirement contributions could not longer be made because of the actuarial tables that had been established. Short-term, long-term disability and life insurance suddenly at age 65 had a change in their viability.

In recent years we took a long, hard look and said those actuarial predictions certainly didn't apply to our company. We expected all employees to deliver bottom-line results, and we therefore saw no reason why there should be any less employee benefit cost for one employee than for another. As a result, today we essentially treat employees the same up through age 70 and we are looking at it beyond that.

In our case, it's possible to do this because we have a two-step package in our retirement program. Part of the retirement program states that whatever the company contributed and whatever you, the employee, contributed, if, in fact, you did at all, is set aside. This money, along with all earnings, is available in the form of an annuity when you reach minimum retirement age or when you choose to retire at an age subsequent to that. That's a defined contribution program; the company and the employee, after reaching a certain salary limit, make a contribution based on a schedule which is determined by salary, therefore, we have defined contribution.

On the other hand, we have a supplemental plan, that is, a defined benefit plan. Regardless of contribution, the age, amount of service, and salary determine the benefit that is payable.

In our case, employees have the option when their chosen retirement times roll around to review the current and future dollar results in one plan, the alternative results in the other, and choose the better of the two.

This approach is particularly suitable to the older worker. It allows us to hire someone who is age 55, 60, 68, and for whatever period of time they are with the company, there is a full contribution which will buy something in the form of an annuity or in the form of a lump sum. We do not have to turn any one down.

We also adjusted our plan so that each of the years, regardless of age, adds up as an additional credit for retirement, whenever that date occurs. This is rather unique in the industry, as far as we know.

We aren't concerned about taking this approach because our expenditure for labor is the same for the older worker as for the younger worker in this situation. Our corporate policy is that we pay people for equal work; therefore, we should provide the same benefits regardless of age.

Another part of our commitment to meeting the needs of the older worker is our effort to provide in-depth preretirement counseling and planning. We prefer to call our program, life planning. We feel it helps people of all ages focus their attention on the future, the kinds of problems to be solved, and the kind of planning which will be needed to accomplish goals and dreams.

We have also committed ourselves to a process of sharing our own positive experiences with other employers to help eliminate the reluctance, the myths, and the concern that appears to exist not just in the private sector, but the public sector as well. We know these myths are simply that—myths. We know this because we've experienced it. We've lived it. It's been part of our heritage.

But there are many people who are victims of these myths. They've honestly believed for years that there is a magical difference in people caused by the process of aging. Changing that basic deep belief is going to take time, work, and education and a sharing of the positive, productive experiences that have occurred throughout the country.

One of the things that we can do is confront these myths one by one and show that that is exactly what they are—myths.

I'd like to confront the myth that with a higher ceiling on retirement, or the possible removal of the ceiling completely, business will be delayed by older workers and will become too heavy with incompetent, incapable workers.

In our 40-plus years with absolutely no retirement age and with a practice of hiring people in their late sixties and early seventies, our Chicago home office with about 3,700 employees has 170 people over age 65. That's something in the neighborhood of 5 percent. This percentage has always ranged from 3 to 6 percent of the basic work force, a far cry from being an overwhelming, threatening percentage.

I believe the positive experiences we have had at Bankers Life will be repeated, and are being repeated with other employers. Even if the older work force does become a larger percentage of the total population, the feared overwhelming numbers will become a welcome addition rather than a threat.

We expect there will be change in this percentage. Even though there is no mandatory retirement age, many people at Bankers Life retire because a spouse is forcibly retired. We think the change in the mandatory retirement age law may increase our percentage of older workers from the current 5 percent to as much as 10 percent. There would still be no substance to the mythical overwhelming number of older workers. On the other hand, if our older employee work force doubled, we'd be pleased.

Another myth about the older worker relates to attendance. Our experience has been that older workers' attendance is as good, if not better, than that of our regular work force. A recent study at our company showed that 13 out of 128 employees under age 65 had perfect attendance, while in the over 65 group, 34 of the 128 studied employees had perfect attendance. There were more than twice as many half-day absences in the under-65 group than there were in the over 65 group. The absences for the over 65 group tend to be for slightly longer periods but are less frequent.

We've all heard about the accident-prone older worker. As a white-collar employer, we, of course, have far less exposure to serious accidents. There are the usual accidents with staple and paper cuts, falling on steps et cetera. Based on

our records, our older workers have less than one third the frequency of compensated and time loss accidents as compared to our younger workers. The National Council on Aging confirmed our findings through a similar study they conducted.

There is another myth I believe to be the most dominant one for the companies unaccustomed to older workers, that the worker slows down on productivity and then, without the benefit of mandatory retirement, stays and stays on the job as an ineffective nonproducing employee. Awkward confrontation may be necessary.

Our experience has shown us that the people who choose to remain in the work force at an older age (and remember, the vast majority do not choose to do this) stay because of well above average commitment. They have a very strong pride in their ability to work at the same pace as their peers.

When they do begin to slow down in performance, they are the first to know. They are also the first to say so. Our line production managers tell us that it is an extremely rare situation when an older worker has to be encouraged to transfer to a less demanding job. In almost every instance, the older employee asks for a different assignment, or, in most cases, announces plans for retirement. This simply is not a problem an employer will have to deal with.

Managers will, though, have to take a hard look at their performance appraisal system. In the past many younger employees who were not performing adequately were retained until retirement age. But remember, the problem did not begin when the employee hit the magical age of 65—it started long before.

Managers will have to begin effective performance evaluation early in each employee's career and will have to continue to apply the same work standards to all employees at all ages. The relationship between age and performance is manifested in younger workers to the same degree as it is in older workers. Many behavioral scientists and psychologists report that there are drops in performance and morale during the mid thirties and forties, and that often during the forties, discrepancies occur between personal aspirations and career goals.

Decreased productivity is not a phenomenon which suddenly appears when a person reaches age 65.

There is also a myth about younger employees' attitudes toward older employees, that intergenerational gaps exist and are counterproductive. Once again, we simply find this to be not true. There are close groups of younger workers, there are close groups of older workers, there are close groups of people with mixed ages. There are very warm relationships between employees with as much as 40 years difference in age. People just seem to be people, and they relate to each other on human terms and not on artificial terms.

The last myth I'll try to deal with is the so-called concern on the part of younger workers that, without mandatory retirement, promotional opportunities are limited. We have not found this to be one of the concerns of our younger people. Even if this myth were true, we could feel that no employer has the right to deprive one group of opportunity at the expense of another.

Our experience has shown that it's also more economical to have noncompulsory retirement. Insurance costs are not greater, they actually decrease because of medicare coverage.

Many employers fear that the costs of long term disability insurance will skyrocket for older workers. But our experience has been—and I'm sure it's a common shared experience—that only the healthiest older workers, those who are unlikely to become disabled, will stay on past 65. And with our Nation's constantly improving medical technology, those individuals who do suffer from chronic diseases have the opportunity to control those diseases and continue to live normal productive lives.

Other savings—older workers rarely change jobs so the costs of turnover and hiring are reduced. As I mentioned, these workers are very productive, tend to have fewer industrial accidents, tend to be more stable, loyal, and responsible important employee qualifications which cannot be specifically measured in terms of dollars and cents.

I support efforts to eliminate mandatory retirement altogether. I know that noncompulsory retirement has worked successfully for Bankers Life as well as many other companies. When the Labor Department submits its study to Congress on the impact of the amendments to the ADEA and the performance of older workers, I believe age stipulations in the legislation will be removed.

The legislation presents challenges to those businesses who previously forced retirement at age 65 and any revisions to the amendments would present addi-

tional challenges but I believe meeting those challenges head on will result in the assurance of each individual's right to employment and self sufficiency.

I think we need to educate the American population most importantly employers in all sectors, on the value and worth of our older citizens. The coming White House Conference on Long Life can contribute significantly to this effort with new information helping us to unlearn old information, and, eliminate negative and false images of aging.

More and more employment opportunities have been opening up for older citizens, but to achieve the fullest potential of the employment market we need the commitment, cooperation, and support of American employers.

The public image that to be old means to be needy, helpless, unhealthy, and useless must be eliminated. When this occurs, most of the problems of the older work force will be eliminated as well.

I thank you for the opportunity to join you today and for the chance to share our views on this very timely, important issue.

Senator CHILES, Mr. Read

**STATEMENT OF WILLIAM M. READ, LOS ANGELES, CALIF.,  
SENIOR VICE PRESIDENT, EMPLOYEE RELATIONS, ATLANTIC  
RICHFIELD CO.**

Mr. READ. Thank you very much, Senator Chiles. Atlantic Richfield appreciates this opportunity.

Mandatory retirement was 65 up to 1975 at which point we eliminated any age as mandatory in the parent company although in the Anaconda companies we still use 70 as a retirement age.

We came to the conclusion, somewhat pressured by legislation, I think, but a very honest conclusion, after examining the facts that the elimination of mandatory retirement was an idea whose time had come and it posed no problems that competent managers could not handle.

At the same time, we recognized that within our own environment, and I think in many of the companies that practiced traditional policies, it represented a major societal change. It impacted complex interrelationships with laws and policies and traditions and customs and psychological factors that had been in place for a number of years. While we may have speculated about the future, our data base up to this time is almost too small to tell us what it is going to be like in a traditional company. As you can see from our prepared testimony, about 3 percent of our people aged 55 elect to remain with us.

One of the things that we have done, and you will find in the prepared testimony a report by a task force in 1978 in which they recommended that we not incent people to stay on, we have come totally around on that question and we have eliminated any disincentives. We have continued pension calculations out as long as a person stays with us using average final salary at the time they will then elect to retire. We think this is a very sound approach and it is cost effective. It creates one class of employee and not a dual classification. We think it is very helpful.

There are two areas of potential problems that I would like to suggest the legislature could address. The one deals with the problem of age discrimination. I think it has been our experience over the past several years that there has been an excessive amount of litigation on age discrimination. I could not propose that we eliminate the op-

portunity for a person who feels he has been discriminated against to go to court. I would suggest, however, that to the extent we can, we put much more emphasis on mediation and arbitration of the situation.

The second area I think is the disincentive created by social security that Mr. McCollough spoke about. I would not recommend changing the earnings test. On the other hand, we must recognize that when a person comes back into employment or stays in employment, he or she sees themselves losing a tax-free primary social security benefit and in addition they pay additional social security taxes. It would seem to me that there could be some device through a tax credit to leave all the other provisions intact and yet give these people the incentive to continue working. We are convinced as we move into this decade and into the nineties with the labor shortfall we will have in this country we will desperately need to incent people to stay with us.

Thank you very much.

Senator CHILES. Thank you, Mr. Read. Your prepared statement will be entered into the record now.

[The prepared statement of Mr. Read follows:]

#### PREPARED STATEMENT OF WILLIAM M. READ

My name is William M. Read and I am senior vice president of employee relations for Atlantic Richfield Co. I would like to thank you for the opportunity to testify before the Senate Special Committee on Aging for your hearing on "Work After 65: Options for the 80's."

Atlantic Richfield is a diversified natural resources corporation active in all phases of the petroleum energy business. The company is also a manufacturer and marketer of petrochemicals, and has business interests in coal, copper, aluminum, uranium oxide, and a wide range of metal products. We have approximately 50,000 employees.

Atlantic Richfield Co. (parent)<sup>1</sup> eliminated mandatory retirement at any age on January 1, 1978, for all nonrepresented employees. This policy was extended to our subsidiaries on January 1, 1979. We aggressively pursued the elimination of mandatory retirement in all bargaining agreements as contracts reopened. As further evidence of our early support and interest, the committee's attention is directed to the attached internal "Report of Task Force on Elimination of Mandatory Retirement Age" dated March 1978 for a discussion of background, issues, and recommendations.

#### STATISTICS

In the 10-year period through 1977, approximately 20 percent of our parent company employees retired at the then existing mandatory age of 65. The vast majority retired between the ages of 55 and 64.

During the 1978-81 time frame, approximately 17 percent retired at age 65, and 3 percent of those eligible to retire elected to continue employment beyond age 65. Our early retirements continued at the previous rate of approximately 80 percent.

#### EMPLOYEE BENEFITS TREATMENT

The current benefits for employees working beyond age 65 as upgraded since the 1978 task force recommendation are as follows:

*Retirement plan*—Full credited service and current compensation is included in the retirement calculation. Additional employee voluntary contributions may continue.

*Thrift plan*—Participation is exactly the same as prior to age 65.

*ESOP*—Participation is exactly the same as prior to age 65.

*Group life/survivor income plan*—Participation and coverage is exactly the same as prior to age 65.

*Voluntary group accident plan*—Participation and coverage is exactly the same as prior to age 65.

<sup>1</sup> Essentially the petro-chemical energy segments. The comments that follow pertain to the parent company unless otherwise noted.

*Medical plan.*—Participation in the Atlantic Richfield medicare supplement plan coupled with medicare provides essentially the same coverage as prior to age 65.

*Long-term disability plan.*—Coverage is available until the employee reaches age 69.

*Other benefit plans.*—Regardless of age, other benefit plans, such as vacation, holidays, sick leave, and other absences with pay, product discount, and educational assistance, are extended fully.

We not only have met current Federal ADEA regulations, we have gone beyond such regulations by extending service credit and final compensation to the retirement calculation, and by continuing pre-65 life insurance coverage beyond 65 for active employees. There are no disincentives at Atlantic Richfield Co. for working beyond age 65.

#### OTHER INTERNAL PROGRAMS

Our severance pay programs were revised to eliminate age 65 and above restrictions.

The corporation actively supports ride-sharing programs. These programs have demonstrated the potential to ease older employees' commuting concerns.

For many years we have utilized retirees in consulting roles and, in point of fact, a retiree consultant is now actively developing a preretirement counseling program.

Finally, the corporation supports the flextime concept for all employees where practical. This concept could have meaningful utilization in post-65 employment.

#### SUPPORT OF EXTERNAL PROGRAMS

Atlantic Richfield Co. supports, through contributions and participation, many external older worker programs including:

- Contribution of \$260,000 to the National Committee on Careers for Older Americans (3-year pledge 1978-80).
- Contribution of \$25,000 to Second Careers.
- Active support of the Second Careers Job Bank program.
- Member of the National Task Force on Preretirement Planning for the Western Gerontological Society.
- Member of the Business Institute Group in Support of the University of Southern California's Andrus Gerontology Center—\$5,000 annual support.
- Member Los Angeles Steering Committee, National Committee on Careers for Older Americans.
- Advisor to the White House Conference on Aging (Mr. W. F. Kieschnick, vice chairman of the board of directors).

#### CONCLUSION

Atlantic Richfield recognizes the impact of changing demographics over the next 20 years on the national work force as well as on our own employee population. We have endeavored to establish an environment which is conducive for allowing productive employees to make free choices for continued employment without regard to age.

Senator CHILES. You four gentleman and the four companies that you represent were not just sort of pulled out of a hat out of all of the corporations of America. In fact, you represent the cream of the crop.

Why are there so many other companies that are unaware of your success, because it certainly is a success, as each of you relate it. You have no tremendous problem, yet you don't have the normal mandatory retirement ages. Why are the other companies so unaware of the progress in this endeavor? Any of you.

Mr. McCOLLOUGH. I think I could start this off, Senator. It seems to me there is a myth about the older worker. I think there is a myth, and it comes from a lot of sources, that the older worker is not as productive as the younger worker; or is more expensive. I just think

there has been a reluctance to look at this entire problem. It is like a lot of things in our society—until you really focus in on something, you don't understand it. I think it is just that simple.

Mr. PAGE. I would start, Senator, by saying I don't know but my speculation would be that companies that feel that they are controlling their work force have a built-in feeling that they must design, control, assign, and place people. Companies that look at their work force more as self-responsible individuals with choices to make and that have a company philosophy to provide opportunities for those choices, are the companies that I think you will find who are further down the road on this question of working beyond age 65.

I think as the work force sees itself more as a self-determinant group than a controlled group, we will see more of this moving into the industrial world. Now that is a speculation on my part from our own experience. I think the driving force in Polaroid has been the workers themselves on this issue, and they have been right.

Mr. MAGUIRE. I think there may be two different categories. I think in the case of the white-collar industries, it is purely and simply, myths. I don't believe we have very many chief executive officers in this country today, in spite of some of our press stories and all that, who basically believe they can lead a corporation without having a rather sincere viewpoint of the worker and so there are very few of them sitting around figuring, how do we get the older worker out or how do we do this? It is basically not understanding growing with people and feeling as you would with any other group and as we have in the history of this country.

In the case of the basic heavy manufacturing, and this based on the conferences we have had and the handles we have had and the discussions of some of the leaders, that the blue-collar industry has had more of a concern about how you can protect the safety of the people who are actually physiologically slowing down and yet meet our own obligations as a corporation. There are some things that the National Council on Aging has been working with, some measurement devices, something very close to that system of measurement which might help in that area. I think that will be a little slower. We are also talking about a very large portion of the labor force.

Senator CHILES. Mr. Read.

Mr. READ. Certainly I think we have lived in an environment over the last 40 years where the tradition of early retirement has become more an accepted mode than even mandatory retirement at 65. As a matter of fact, I think in some cases early retirement has become a status symbol for people. I think we are going to have to gradually evolve out of that syndrome. I think also management had a preference for certainty, you like to stay with what you have. You are very comfortable with knowing that you can make manpower plans based on statistics that are shaky at best but at least they are better than nothing. So you have the Chicken Little syndrome that comes up and says "Oh, my God, if we make this change, the world is going to fall apart." Then if you begin to analyze it and find out that these people have these experiences, the world has not come apart.

One of the things we didn't know, for example, was that Bankers Life had this wonderful program. It was never publicized in any literature that I have read.

Senator CHILES. So part of it is just getting the information out there for companies to understand.

Mr. McCOLOUGH. May I add something, Senator?

Senator CHILES. Yes.

Mr. McCOLOUGH. I think you cannot divorce this discussion of older workers from the context of our whole society. I think we all know there is a youth cult and if you are over 40, although I am in my late fifties, you are really over the hill. Look at television, which has an enormous impact on our citizens. Look at the commercials. Unless they want somebody to take Geritol or have a very senior person who is going to be impressive, everybody is very young. They are dancing, playing volleyball at the beach and all of that. I could go on and on. There is a youth cult in this country and other countries as well. So you cannot divorce this from the context of general societal approach and perceptions of aging.

Senator CHILES. I know one of you touched on this in your statement but is there also a problem in that companies and Government employers, especially universities, State departments, those that sort of grant some kind of tenure, have used the retirement at 65 as a way of getting rid of the deadwood. Perhaps they have not done their personnel work early on as some of you stated, starting when they are age 20, to really determine if that worker is productive.

In Government, it is easy certainly with the merit system and civil service that we have. It is almost easier to either transfer or retire a worker than it is to really fire a sorry worker or to discipline a worker. I find that very strongly the universities say, "Oh, my goodness, we will never get rid of these old professors if you don't allow us to get them out at age 65." The same thing the State Department tells us, "We have got to have some way of making room for career people." Do you think that is really a problem in the failure to do the kind of personnel work that you should be doing earlier?

Mr. McCOLOUGH. I think so. I try to tell people in my own company when we bring in new people we should screen them carefully. We ought to look at them very carefully in the first 3 years and if there is any question about their performance or their attitude, they should be let go. I think the failure comes in the first 3 years. That may sound harsh but I think in the long run it is better for the company and the employee.

Mr. PAGE. I think performance evaluation is one of the more difficult things to do for managers and supervisors and you have to stay after it. When you think of how much more difficult it is to do on an older person, when the general society feeling is, "Oh, my gosh, you mean after all these years you are addressing performance with somebody who is 65 years old," there is a great sympathy that builds up. I think managers are afraid, frankly, that they cannot handle performance appraisals as well for older people as in our case, review committees would look at it, or outside arbiters, or the courts would look at it. So I think you are right: performance appraisal is one of the more difficult things and it is perceived to be more difficult because of the emotional issue surrounding it with older people.

Senator CHILES. Mr. Maguire.

**Mr. MAGUIRE.** Senator, I do think that when any artificial system is entered into the employment—that is, such as tenure or a very rigid merit system—I think that it does begin to have an effect on the attitude of the good managers involved and where you do try honestly to have the good performer and something stands in the way of that, it is going to have an effect on mandatory retirement or on any of your other employment processes.

**Senator CHILES.** Mr. Read.

**Mr. READ.** Yes, Senator, I agree completely. Performance evaluation is something we talk about very glibly and do very poorly.

I think the other problem is that we do have a feeling that we have made a personal commitment to an individual who has been on the payroll say for 5 years or more and that we should have uncovered the error prior to that time and therefore we try to find ways of other jobs or other opportunities that might make a better fit and sometimes we are totally unsuccessful and they stay right down the road with us.

**Senator CHILES.** Senator Percy.

**Senator PERCY.** I would like to ask Mr. McColough a question. Could you comment on the suggestion that has been made that we raise the social security retirement age from 65 to 68, while at the same time eliminate the earnings limitation for social security beneficiaries. Have you made any studies to determine what the impact of both of these changes would be—in the near future and after the year 2000, when the baby boom is upon us?

**Mr. McCOLOUGH.** Senator, the Pension Commission spent a great deal of time on that and we feel that should be given very serious consideration by the Congress. When social security was established in the mid-1930's you had a certain life expectancy. That life expectancy has increased 3 years, yet that increase has not been taken into account. There is a funding problem as well.

I don't think we feel there should be an arbitrary retirement age. Instead, we would like to suggest that we have a rolling adjustment whereby we take into account your life expectancy and we come up with a formula that says from the age of 21 you should expect to work about three-quarters of your life—which is the way it worked with the original social security in the 1930's. This, of course, would not be implemented until some time in the future. I think people counting on retirement should not be affected but it should be looked at. It has a major impact on the funding.

We also have looked at the tax consequences of the social security being tax-free, as well as the issue of the earnings limitation. We think there are some benefits to removing that earnings limitation but only if you balance that with something on the tax side. I think our feeling would be that really we should treat social security contributions and benefits the same as any other program. The tax consequences should be deferred until retirement. I think if you could do both of those, you could do away with the earnings test, extend the age limit, and so forth.

**Senator PERCY.** Thank you.

I was delighted to hear the comment made about the social consciousness. I would like to put on the record of this committee that I have worked closely with industrial community and with the business

roundtable, as a member of the Business Council. I just wish the American public could know of the thousands of hours of sessions those groups have spent talking about the goal of the country, the good of the people, and the kinds of working relationships they want to have with their employees.

Most of you have described your companies as young companies—having few retirees. Would your experiences be the same when your work forces are older and the number of retirees greater? Do you feel that you could apply the same principles in heavy industrial corporations, for instance, as some of the principles you have outlined today?

Mr. READ. May I comment on that, Senator?

Senator PERCY. Yes.

Mr. READ. We currently have 25,000 people on our retirement rolls, a substantially high number of those from the Anaconda Co. The interesting thing we found there was that the majority of those staying after 65 in that industry tend to be the blue-collar employees. Whereas on the oil side the majority staying are office, managerial types, a very small number from our refineries.

Mr. MAGUIRE. I don't think it will make a bit of difference as a company. I think that it may have made a difference as you were talking that maybe we didn't have so many experts around when we were starting right after World War II to tell us what all your personnel policies ought to be and the fact that somebody should be hired or should not be hired because of height or weight or some other silly thing because we were growing so fast we could not afford to buy experts. I think that might have been part of it.

I think 5, 6, or 7 years of any company's experience with an older worker force in the normal proportion will simply dispel all of the myths. I think that we won't have to work at anything else if we can work at that one.

Senator PERCY. I have just one final question.

I think one of the great changes in any business is the willingness to share experiences. I think for that reason the Bankers Life and the Northeastern Illinois University sponsored conferences are excellent opportunities to share with many, many other companies the common problems that they have.

I found years ago, when our company was starting to get older, and we had more and more retirees, the correlation between those who wanted to retire early always seemed to be the best workers, the best adapted, and the ones that you really would like to retain. For those that had not made provision for themselves and had not looked ahead—retirement was a shock. They had not really thought much about it. We finally phased in mandatory retirement by the age of 68. We started with a 5-year notice and a special retirement counseling program in the evenings. People would come in and talk with their spouses about the fiscal side of aging.

Do you find that people throughout industry are adjusted to the idea of retirement? Are they well aware of the many problems they can anticipate? Are they psychologically ready or is the program that you started 25 years ago still necessary and should it be encouraged?

Mr. PAGE. I think, Senator, the need for early retirement planning and thinking, whether you call it counseling or life programming or

whatever term you want to use I think it is of great importance for people to think through what their personal options are, what their personal alternatives are. I think people need help with that. Sometimes they only need help to get them there to do it; other times they need technical help in thinking it through.

We are in a very complex society and I think people do need an assistance doing that. I think industry needs to understand that it is good business for some people to work longer and it is not such good business for others. As I said in my remarks, our experience has been with the counseling and programming and so forth, that overwhelmingly the people that are staying at Polaroid are the people we would most like to have stay and the people that are leaving are the people who have had difficulties of one kind or another whether they be physical or family. We think the counseling helps really a major element of our program.

Senator PERCY. At what age should that start?

Mr. PAGE. We are starting at age 55. There are people who would say to start earlier. We do a lot of communication earlier that is not called retirement planning around our benefits programs—profit sharing and the others. So we are doing a great deal to communicate to our employees just what it is that they have and what their options are. We spend an awful lot of money in the benefits program. There is an awful lot of money spent in social security. It is amazing how few people really understand until you make a conscious effort to sit down and think it through. I think money spent in that area has a great payback.

Senator PERCY. Thank you. Anyone else have something? I appreciate very much your being here.

Thank you, Mr. Chairman.

Senator CHILES. Senator Pryor.

Senator PRYOR. Senator Glenn has been here longer than I have.

Senator CHILES. Senator Glenn.

#### STATEMENT BY SENATOR JOHN GLENN

Senator GLENN. Thank you. I have a short statement I would like to read.

I look forward to today's discussion with representatives of Xerox Corp., Bankers Life & Casualty of Chicago, Polaroid Corp., and Atlantic Richfield Co. to hear what their companies are doing to expand employment opportunities for older workers.

At previous hearings, the Senate Special Committee on Aging has heard about the problems of older workers who do not want to retire, about the physiological and mental abilities of older persons and how these abilities impact on their learning and working potential, and about possible assessment techniques that could be used by employers to test the abilities of workers.

As the aging segment of our population grows, our work force will depend more and more on older workers. It is important to know how industry is already responding to this change, and what Government assistance is needed to encourage private industry to take the lead in expanding work opportunities for older people.

That is the end of my remarks, and with the chairman's permission, I would like to ask a few questions.

Senator CHILES. Go right ahead, Senator.

Senator GLENN. As you have put in a retirement policy, which I am sure every member of the committee supports, what has happened to your younger workers? Normally you terminate people at the upper end hoping to keep your brightest people aboard, give them employment opportunities. What have you found among your younger people? Have you found a disproportionate number of younger people leaving for other employment?

Mr. McCOLLOUGH. Senator, we have not at Xerox. One of the problems of a young company is that you have too frequent promotions. We are trying to stabilize this in order to keep people in jobs longer. So the problem you describe is not our problem.

Senator GLENN. How about the rest of you?

Mr. PAGE. We have not seen that problem. Without data, I would observe that our younger people feel that it is a good practice. They see our philosophy of employee choice, employee determination being continually carried through and not being shut off at 65. I think they feel quite good about it.

Senator GLENN. Are you running studies to see how your policies affect the extended promotion expectations in a certain time period? In other words, say a man or woman of 30 expecting to be promoted to the next higher level, does this extend him 1, 2, 6 years? Have you run any studies to see how that would impact on the younger workers who might be tempted to leave?

Mr. PAGE. We have not run any studies on that. Like Xerox, we are a relatively small company and the business conditions are a much bigger factor than the percentage of people staying on so that our overwhelming speed of promotions is determined by how well we are doing in the commercial aspects of the business as opposed to the number of people that might be choosing to stay on.

Senator GLENN. Polaroid and Xerox are not good examples. How about Bankers and Atlantic Richfield?

Mr. MAGUIRE. We have not installed new retirement practices since we have had no basic programs so that there was a change. However, again, I really believe that it still boils down to people and people. Younger people view the boss or the opportunities to be promoted in terms of whether there is a highly capable person up there who is a part of the team making their future that much brighter by delivering a product and when you are one who is less than that or one who is weak or one who ought to be booted out, they are disgruntled and they don't like it, not only from the point of view of their own promotion but from the point of view of where the company is going. If they are used to a normal mix of people, I don't really think that they think about it in terms of Charlie is 81 or 35.

Senator GLENN. They don't see it as a reduced advancement opportunity for themselves?

Mr. MAGUIRE. I really don't think on the basis of age. They do on the basis of performance and they are tough critics.

Senator GLENN. Mr. Read, how about Atlantic Richfield?

Mr. READ. Of course, our experience is rather slim in recruiting but we are very concerned that out in the mid-1980's and 1990's we could

have a large cluttering of employees in the 25-to-45-age bracket who, if a large number of people elected to stay on beyond 65, would be impacted and held back. We don't know what the size of this is going to be or the shape of it but if we continue to be an expanding mode, if industry continues to expand, I think this will take care of itself. If industry suddenly becomes stabilized, then I think we could have a problem with people.

**Senator GLENN.** Mr. Read, you probably would have more of a mix in your company between administrative jobs and physical strength jobs. Do you find a great variation, when you are permitting people to continue or not to continue, between those in office-type jobs as opposed to those in physical-strength-type jobs which would also be a fair percentage of your employment?

**Mr. READ.** No; today everyone that has asked to continue has been allowed to continue beyond 65. In the Anaconda company, while it is a small number, 49 of them are in hourly positions in plant-type operations. In the Atlantic Richfield chemical oil side, the reverse is true, about 50 people are in office jobs and a smaller number, 8 or 10, are in the plant situation.

**Senator GLENN.** Do you plan to tailor people into the job or alter jobs for older workers? I was thinking of flex schedules or things like that with the older worker in mind.

**Mr. READ.** We are using flextime but that would not be a matter of age; it is more conditioned on the type of work being done where we could accommodate it to our scheduling. Anyone is free to use flextime. We have not done enough in seeking out opportunities for shared jobs which I think would accommodate more of the people over 65 who really don't want to work full time but would be happy to work part time.

**Senator GLENN.** On April 30, I chaired the hearing on "How Old is Old? The Effects of Aging on Learning and Working," and we discussed the possibilities of an assessment technique to be used by employers for testing the abilities of the worker. If NIH, for instance designed a measurement technique, would you be encouraged to use it? I am thinking in terms of relating this to the comment made earlier that some people are old at 29 and some at 93. Would you think that periodic testing of all the workers would be too cumbersome, or if we could develop a reasonable test, would that be something you would look into or work with NIH on?

**Mr. READ.** I would not be for the test.

**Mr. McCOLOUGH.** I would be skeptical. It is true that people age at different rates but also some people that are old can do certain jobs. There is no reason to force them out of the work force. I would be very skeptical of the development of the test. I would be even more skeptical of the application by Xerox.

**Senator GLENN.** It was suggested at our hearing that there might be a possibility of making an assessment at certain periods so you could determine what a person's capabilities are.

**Mr. P.W.E.** Senator, employees' self-selecting, I can't emphasize it enough, has worked. We don't need a test. The employees have selected and decided whether they want to stay or go earlier and it has been quite acceptable to us and quite profitable to us and I don't see any need for a test.

Senator GLENN. In your experiences so far, do you see any relation between those wanting to take early retirement and those wanting to stay and their pay scales? In an inflationary time, lower paid workers cannot make ends meet, and they have to stay on, where the higher ~~claried~~ people would want to get out at an earlier age? Have you seen any evidence of that?

Mr. PAGE. Over the long haul our mix of the people that are retiring has been the same; that is, the higher paid people have been about the same percentage that stayed as they were a percentage in the company and on the lower paid the same way so the distribution has been just about what the company's normal distribution would be. We have seen in the last couple of years for those people who have reached 65 a little higher percentage starting to stay on and we suspect that that may be caused by inflation. But it also may be caused by the change in what was traditionally thought of as retirement age—age 65. When you move the national norm to 70, it may have had a psychological effect. It is too early to tell.

Senator GLENN. Mr. McCollough, as chairman of the Subcommittee on East Asia, I was interested to note in your testimony on page 13 that a study is being done on the aging of the labor force in conjunction with the Japan society. The Japanese have pretty much standard retirement starting at 55. Only a few people are permitted to work until 58 and almost everyone is in some form of retirement by the age of 60. Many people then try to find employment in subsidiaries of their corporations.

You are familiar, of course, with the lifetime tenure with major companies. I think it is something like 70 or 80 percent of the work force. I wondered if you had any word you could give us on that because it seems to me it would be very interesting to study the Japanese model and what they are doing as opposed to what we are doing here. Their experience is quite different from ours. They start retirement at an earlier age.

Mr. McCOLLOUGH. Senator, they are a very productive society. I don't have any results from that study yet.

Senator GLENN. If you get any results, even preliminary results, I am sure the chairman and the committee would appreciate having them. I have been trying to follow the Japanese experience as closely as I can because of the situation we have here.

Senator CHILES. Senator Pryor.

#### STATEMENT BY SENATOR DAVID PRYOR

Senator PRYOR. Thank you, Mr. Chairman.

I would just like to, if I could, say thank you to you gentlemen who have exemplified what I think is certainly a corporate sensitivity to a real challenge that we have. I would also like to mention, if it has not been mentioned, I got in late and I am sorry, about a program that we have here in the Senate, and that is the senior intern program. We allow not only younger interns, mostly during the summer when the kids are out of school, but we also allow senior citizens to come for an internship in our office and it has really been a nice program, I think, and a good opportunity. Some of the interns are here today. I know

Senator Glenn's senior intern is here and our senior, Mr. Middleton, from Arkansas. We have several interns from many places.

Senator GLENN. And some in the audience that didn't want to come up.

Senator PRYOR. There are some more hands going up so we are particularly proud of that program. It related directly to Senator Glenn's line of questioning "How old is old?" because last year we had a 77-year-old senior intern and he broke a rib stealing into third base. He played for our staff softball team and he was the star of the team, I might add. That fellow will never get old. I think a lot of people never will.

I would just like to ask a couple of questions, if I might. My first question would be, what can the Congress itself do to motivate this situation? What legislation, relaxation of rules, or regulations would be an inspiration? Can we do anything to encourage other companies, other corporations in this great country of ours to follow your lead or should we stay out of it because of fear of messing it up? What should be our attitude and what should we do?

Mr. McCOLLOUGH. I think the Congress could help. I think general encouragement is useful as well as more help in retraining programs within companies. I think that it is better for the company to undertake the retraining program—to hire the older worker and to give them the skills they need—then to have a Government program. The advantage of the company doing it is that the company selects the people they want and at the end of that program the job is there. The newly trained person does not have to go out and find a job.

I think many people get discouraged when they go through a Government training program and at the end they don't have a job. So, I think more encouragement for companies that actually balk at retraining older people would be very beneficial. As I said I would rather see Government effort focus on encouraging corporate programs than on setting up big Government programs where there is not necessarily a job at the end of the training for the person. I think that would be helpful.

Senator PRYOR. Other comments?

Mr. PAGE. In addition, I personally would like to see the social security system be made much more simplistic so people could find it easier to understand. I would say the same about our own pension plan. We find in counseling with people that it is difficult for them to understand what their benefit or right is. The complexity of all of this should be greatly simplified, I think. I wish Congress would direct itself at that, but otherwise generally would stay out of it. Better education and better communication for more companies would do it; but I would not like to see Federal programs.

Senator PRYOR. Any other comments?

Mr. MCGOWAN. I would like to see the resources that are now applied toward the employment aspect of gerontology to be applied more in the educational and short-term incentive approach—tax incentive approach, and short term just to get people's attention involved and then out of it but a positive educational approach as opposed to a police approach to it which somehow we always end up with the best intention in the world, we end up with somebody with a billy club trying

to tell, I think, some rather generally sincere people how to do something and generally they have had no experience in it.

Mr. READ. I concur in what they said.

Senator PRYOR. You represent four major corporations. What about smaller companies and small businesses across this land? Could they achieve the same advantages or could they have the same success that you have had in your corporations? Do you have to be more sophisticated than the average small business or small business person to deal with this particular problem?

Mr. READ. I could speculate on that. I think they could be equally successful. I think many of them don't have mandatory retirement. Many of them don't have pension plans after ERISA. I think here I would agree with Mr. McColough, basically if you let the companies do the training of the people, that is better. Some of the smaller companies may need some financial incentives. I am not looking for any financial incentives for Atlantic Richfield.

Senator PRYOR. I think this has been brought up earlier this morning but what about the changes in raising the retirement age from 65 to 68? Would this have an impact on your looking at retirement programs in your own companies or would this be an attitudinal factor? Would this really be a factor?

Mr. McCOLOUGH. Senator, could I comment on that?

Senator PRYOR. Yes.

Mr. McCOLOUGH. I think this morning we have been emphasizing the removal of restrictions on how long a person can work. I think that is fine. Maybe the restrictions should be abolished altogether. I think the real problem we have in looking after older workers, and looking after them in retirement from a financial point of view, is that by and large an awful lot of people don't want to work even to age 65. I know in my own company after the mandatory age was raised to 70 practically no one came to me and said they were glad the age is now 70.

The predominant question I have had posed to me is, "When can I retire at full pension?" The question always involves early retirement at full pension. I think we have to do an awful lot to encourage people to work longer. Some people can't because of disabilities, but some people could with retraining. To encourage the small businesses, Government could try giving them tax credits or perhaps grants to encourage retraining.

I think that we absolutely have to, for financial reasons, extend the retirement age under social security from 65 somewhat beyond that sometime in the future. I think that would help to persuade people that you should not expect to retire at 62, let alone 65. I think there is a very basic attitudinal problem in the society that people want to retire earlier.

I think we should not be misled by the fact that some people are beginning to work longer. This is probably the result of inflation. I think we have quite a job to do to persuade people to work longer.

Senator PRYOR. What has been the attitude in labor unions, how do they feel about the issue of working longer? Union, nonunion, is that a problem?

Mr. READ. None of our unions would agree to it and of course there was no legal responsibility. They have had to since the Federal law has been passed.

We find, of course, that they have been bargaining over years for earlier and earlier retirement and a full pension is paid at age 60 so that this has become counterproductive to the idea of people working beyond 65. They resist the elimination of mandatory retirement simply because it adds to their problem at least in their mind in terms of bringing new people into the work force and passing them through.

Senator PRYOR. Is their attitude negotiable? Could it be liberalized or is it set in concrete?

Mr. READ. I think if there is a Federal law saying "this is the age for retirement," that will work but I don't think their attitude is negotiable on the age except to bring it down.

Mr. MAGUIRE. We are a nonunion company. We have had no experience on that.

Senator PRYOR. You are a nonunion company.

Mr. MAGUIRE. Yes.

Senator PRYOR. So you don't deal with this. Any other comments?

Mr. McCOLLOUGH. I think they are very flexible. Their retirement age was higher than it was for salaried workers. This particular union, I think, is very flexible. I would not see any differences of view or approach than anybody else in the company.

Senator PRYOR (presiding). Senator Melcher.

#### STATEMENT BY SENATOR JOHN MELCHER

Senator MELCHER. Thank you, Mr. Chairman.

I can't help but comment first of all to Mr. McCollough. I have had some insight into what Xerox is up to nowadays because my neighbor works for Xerox and he tells me business is great.

Mr. McCOLLOUGH. I hope he is working hard.

Senator MELCHER. I think I have a little insight, Mr. Page, into Polaroid. My brother-in-law works for Kodak and he tells me Polaroid is doing very well.

Mr. PAGE. I hope he is not working too hard.

Senator MELCHER. I don't know about Bankers Life. I have no insight into that.

Mr. READ. We in Montana follow ARCO pretty close.

Mr. READ. I know.

Senator MELCHER. I hope copper prices get higher and Anaconda does better. I suspect that if ARCO somehow does not acquire that newspaper that Mr. Anderson has in London that the oil company will continue to do well.

It impresses me that on this panel at least three companies, how about Bankers Life, is it doing pretty good, too?

Mr. MAGUIRE. Yes.

Senator MELCHER. All four companies are doing excellent at present.

Probably your corporations can do a little bit more than a lot of other companies, big and small, about retirement plans. I think the day has gone by when we used to think that retirees were just supposed to sit around and twiddle their thumbs and senior citizens show us they don't want to do that but in these very trying economic times that we are faced with this year and probably next year a lot of people

who would ordinarily retire at retirement age are not going to be able to do it, they are going to have to continue to work simply because they won't be able to have sufficient funds to meet the cost of living without working.

Now we ought to be looking at our opportunities to help the retired and at the same time be following the path that is supposed to be one of the major efforts to control inflation. We ought to be doing that now. I am afraid we are not doing that now to a sufficient degree in this country to really be very meaningful. Some of you have touched on it in answer to Senator Pryor's question and that is, what are we doing about better retirement plans in the way of creating the thing so the person can retire and become comfortable?

I have a bill in that would simply remove the restrictions on IRA's for anybody, whether they are covered by a company pension plan or social security could contribute and participate in an IRA and it seems to me that that is a type of action we have got to have right now. We are advised that the U.S. savings rate is 3.5 percent of disposable income. I think that is a low for us in this country but it also I believe is a low for any industrial country in the world.

Now if the main hangup on why people don't use IRA's is the fact that they simply can't because they are under social security or under a company pension plan, then why isn't this the time to move rather boldly and rather promptly on that? I wonder if this is not going to be part of the Commission on Pension Policies recommendation because if we can't move legislation in this Congress to increase savings now during this real distress period with inflation just eating us alive, I don't know when we could do it. I realize all of the built in opposition, maybe you people don't. There is always built-in opposition to various congressional committees on doing this or doing that. They considered it. They passed an act a few years ago and they don't want to see it changed.

If we can't move boldly and promptly on legislation in Congress now to increase savings, I don't know when would be a better time. I am wondering if that is the best bankers seem to tell me that this is the best place to change existing law on savings to get increased savings in this country.

Now to repeat, what we would do in the legislation proposed would be to increase the amounts.

No. 1, remove the restrictions on these individual retirement funds where if you are under social security or under some other pension plan cannot participate in an IRA. I would like to hear some response from you gentlemen.

Mr. McCOROWAN: First of all, inflation is the No. 1 problem. As Chairman of the President's Commission on Pension Policy, I don't yet know what we will be recommending in February 1981, but I know one statement that is sure to be in there and that is that if this country is going to live with double digit inflation, there will not be any pension system in the country. You cannot have a viable pension system based on social security with double digit inflation. I know of no country in the world that has been able to do that. We have to heck inflation.

I think also that we need to look carefully at the so called three-legged stool. Here social security is the basic coverage for many peo-

ple. Some also have employer-based pension systems and then private savings. I agree very much that we should encourage retirement savings, or other savings, too, not just for retirement. There is no incentive right now to speak of. I think it is a very important step. Particularly, if we just had mild inflation, I think that would be the difference for some people living adequately in retirement or not. I hope you get some results because I think it is very, very important.

It also goes to the very heart of the productivity of our country. Our savings is the lowest in the world. Our productivity is the lowest of anybody else in the world. Unless we get savings for modernization, we are not going to get money for reinvestment which will help the whole economy. So I would agree with you very much.

Mr. PAGE. Also, Senator, I think we need to increase savings in this country for the reason Mr. McCollough said. Unless we can lick inflation and put productivity back where it belongs in this country, he is absolutely right. There is no pension plan, social security, or any retirement plan, that will not suffer.

Mr. MAGUIRE. Everyone has spoken about the retirement counseling programs that they are encouraging. I might say at significant cost to the corporation. When you already have a plan and your people say even at the earlier age that is great but how can I do it? We can't tell them, you can take an IRA at \$2,500 a year and you probably would be in very good condition if you start that. We cannot do that. I think it would be a super program if something could be done along that line.

Mr. READ. I would certainly agree. It has been an interesting thing to watch in our retirement plan. We had a provision for voluntary contributions in the Atlantic Richfield parent company plan. More than 75 percent of our people take advantage of that, the company-paid plan that they can put in additional money and they will be paid an annuity. It has been a great attraction. The same way with our thrift and savings plan. People will contribute the maximum to them. 85 percent of our people, I think they are looking for opportunities to do this but it is not going into a bank. It is self-defeating because of the tax consequences.

Senator MELCHER. Mr. Maguire, the basis for making IRA's attractive, of course, is the taxing incentive that it allows. Does it fit in? Do IRA's fit in, not with your employees but in the overall scheme since the money is deposited in a--well, I guess it would not have to be deposited in a savings institution, it could be deposited with life insurance companies. IRA's are something that insurance companies participate in now, is that correct?

Mr. MAGUIRE. Yes, sir, that is correct. The entire financial industry. Senator MELCHER. Thank you.

Mr. McCOLLOUGH. Could I just add one thing to that? We need an additional inducement to make IRA's attractive for lower income brackets. People in low-income tax brackets do not feel it is enough of an attraction to use IRA's now. I would like to see a minimal tax credit for IRA's, or the equivalent for the low-income group in the country. It is an additional inducement to them to save money in terms of savings in the country. It is a bit more expensive but the credit does not have to go too high. I think that might be very desirable and to start IRA's.

Senator MELCHER. I am delighted to hear you say that, Mr. McColough; that is part of the bill.

Mr. McCOLOUGH. I didn't know that.

Senator MELCHER. Tax credit is our part of the bill and it is to my way of thinking the essential inducement for savings. I think you have to show some instant tax advantage and tax credits or tax forgiveness on savings. I think that initial inducement is a burden. That is part of the bill.

Interestingly enough, the cost to the Treasury would be wiped out in total if it just reduces interest rates that the Treasury has to pay to service a debt by 2 points. So I hope we are able to move it because we sincerely believe it would generate within 1 year's time an additional \$30 billion worth of personal savings in this country and that is worth going after if we really want to strike at some of the basic group causes of inflation. I hope we do.

Thank you very much.

Senator PRYOR. Thank you, Senator Melcher.

Some companies, I understand, attempt to get rid of the older workers because their salaries are generally higher and they think that they can go out and hire younger workers for much less salary. Is this a myth or is this a truism in the business world? What is the attitude of companies as it relates to this point?

Mr. PAGE. Well, certainly not our practice at Polaroid. I can't tell you whether it is a myth or not but our analysis would say that it would be very bad business and it will end up costing you more money to do that. Yes, you generally will pay older people higher rates of pay because they will be more apt to be at the top of their pay ranges; but because of the self-selective aspect, the better people are staying. By and large, the medical benefits we believe are going to be greater for younger people; they are going to have family plans as opposed to individual or individual plus spouse. Our belief is that you are going to spend more money training, recruiting, hiring, so we would consider it very bad business. I cannot speak for anyone else.

Senator PRYOR. Mr. Maguire.

Mr. MAGUIRE. I think the place where you should first look for savings from people with higher salaries is from managers who think like that. I think they have got to be bottom line, zero people, if they think that way.

Senator PRYOR. Any other comments?

Mr. McCOLOUGH. I agree with the other comments because you have to look at the total cost. Sure, you may pay an older employer with seniority more money, but your turnover cost and recruiting cost and training is higher. We are trying to encourage some senior people from New York to go to California. By doing this we are going to save on tremendous turnover and other things out there. So this argument you cite is really only a myth. I have never heard any other business people in private discussions even talk that way, but you see it occasionally in the press.

Senator PRYOR. Mr. McColough, Mr. Page, Mr. Maguire, and Mr. Read, we are very indebted to you today for coming before this committee. This is the second, as you know, of a series of hearings the Special Committee is holding on this issue. It is a great challenge to our

country and it is my understanding that there is a possibility of holding future hearings because we do want to hear from other segments of our society on this point. That you are sharing of your own personal experience with the companies that you represent, and I might say that you represent so well, is a great benefit to this committee and I think ultimately to the American people, so sincerely, we do thank you. You have given very generously of your time and you have shared your knowledge about this area with us and we will always be indebted to you.

Senator Chiles did have to go to the Budget Committee but he asked that I conclude the hearing this morning. I did want to pat all of you on the back and say once again, thank you very much.

Mr. READ. Thank you.

Mr. MAGUIRE. Thank you.

Mr. PAGE. Thank you.

Mr. McCOLOUGH. Thank you.

[Whereupon, at 12:07 p.m., the committee adjourned.]

## APPENDIX

### MATERIAL RELATED TO HEARING

ITEM 1. WORKING PAPER, "EMPLOYMENT OF OLDER WORKERS; DISINCENTIVES AND INCENTIVES," PREPARED BY ELIZABETH L. MEIER, PRESIDENT'S COMMISSION ON PENSION POLICY, SUBMITTED BY C. PETER MCCOLOUGH<sup>1</sup>

#### INTRODUCTION

In the Commission's working paper, "Varieties of Retirement Ages," retirement trends were explored, including the trend toward early retirement and lessened labor force participation in general for the older population. At the same time, it was pointed out, people are living longer and can be expected to live additional years in the future because of disease-controlling techniques. This has serious portents for our retirement income systems, both public and private, which are already being strained. We can expect that increasing amounts of the national income will be devoted to pension benefits in the very near future as our population ages and lives longer in retirement.

In the face of mounting pressures brought about by increased pension benefits, high rates of inflation, and a larger aged population which is living longer in retirement, it is obvious that the Nation's policymakers must examine every option in providing additional income resources to the elderly. It would also be good policy to encourage more individual initiative.

One policy initiative to relieve the intergenerational dependence and financial strains on our retirement system would be to increase work efforts voluntarily. This could be accomplished through work incentives and increased job opportunities for older persons.

The trend over the last several decades has been for more males in the age categories 65-plus, 60-64, and 55-59 to leave the labor force. Although early retirement under social security was provided for males in 1961, the decade of the seventies has seen the largest drop in labor force participation in the age category 60-64. In 1979, only 62 percent of this group were in the labor force compared to 75 percent in 1970 and 78 percent in 1960. The proportion of women aged 60-64 has also dropped in the seventies although still above the 1960 and 1950 figures. Older women had been experiencing a countertrend of increased participation.

According to a poll sponsored by the Commission, 58 percent of all workers expect social security to be their primary source of retirement income, 22 percent expect employer-based pensions to be their main support in retirement, only 15 percent expect to rely on personal savings, while less than 2 percent hope their family or children will support them in retirement.

Our poll also found an overwhelming majority of the population, 89 percent say that they will definitely or probably receive social security benefits. Forty-eight percent anticipate that they will receive some benefits from an employer-based pension. Yet the survey also found a profound pessimism in this country regardless of age or sex, about their retirement prospects. When asked whether they expected their retirement income to be adequate for their needs, 63 percent answered probably or definitely not. This response shows that the people are not confident of the ability of our Nation's retirement income system to provide adequate benefits to the retired.

<sup>1</sup> See statement, page 88

Along the same lines, 52 percent of those surveyed said they expected to live at a lower standard of living than they are currently after they retire. Fifty-eight percent expected continued, high inflation every year while 80 percent forecast that the country's economic conditions will get worse.

But, even though early retirement benefits may be actuarially reduced and people expect inflation to continue at high levels, our survey shows that 47.5 percent of the working population expects to retire at age 62 or before. In 1976, 34 percent of all social security beneficiaries retired at age 62. This seems to indicate a potential for even more earlier retirement than is currently the case, and thus a potential for even greater dependence on our retirement programs.

The President's Commission is considering a number of policy initiatives which could increase work incentives and job opportunities for the elderly that might begin the process of reversing this trend. A few of these are:

- Elimination or modification of the social security earnings test.
- Alternative work patterns. In order to retain older people in the labor force we might encourage more part-time work, staggered work hours, and sabbaticals. Work sharing is another possibility.
- Retraining. Another approach would be to retrain older workers and offer increased educational opportunities to accomplish the same purpose.
- Requiring pension accruals for those working after age 65. Currently, regulations permit pension plans to freeze accruals after a worker reaches 65.
- Lifting the current mandatory retirement age of 70.

Increased employment of older worker, however, is not a panacea. There are, unfortunately, no simple solutions.

"Employment of Older Workers: Disincentives and Incentives" was prepared by Elizabeth L. Meier assisted by Cynthia C. Dittmar. The President's Commission on Pension Policy welcomes and encourages comments on this study, both for the benefit of its Commissioners and for the accuracy of its final report.

THOMAS C. WOODRUFF,  
*Executive Director.*

#### I. BACKGROUND

Retirement has become an increasingly viable option for workers 55 and older. Surveys show a willingness to retire by the majority of older workers and satisfaction with retirement by a majority of retirees. As a result, labor force statistics show a declining proportion of persons in the older age group who are either working or looking for work.

As can be seen in table 1, the trend over the last several decades has been for more males who are 60 and over to leave the labor force. Although early retirement under social security was provided for males in 1961, the decade of the seventies has seen the largest drop indicating an acceleration of the early retirement trend. In 1979, only 62 percent of men 60-64 are in the labor force compared to 75 percent in 1970 and 78 percent in 1960. The proportion of women ages 60-64 has also dropped in the seventies although the labor force participation rate is still above the 1960 and 1950 rates. The rate for older women in general had been increasing but the 1970's has seen a leveling off of this trend.

TABLE 1.—LABOR FORCE PARTICIPATION RATES, AGES 55 AND ABOVE BY SEX. SELECTED YEARS  
[In percent]

Age	Males				Females			
	1950	1960	1970	1979	1950	1960	1970	1979
55 to 59 . . . . .	87	88	89	82	26	40	49	49
60 to 64 . . . . .	79	78	75	62	20	29	36	34
65 plus . . . . .	39	29	27	20	7	10	9	8

Source: U.S. Bureau of the Census, "Census of Population 1960, Detailed Characteristics," U.S. Department of Labor "Employment and Earnings," January 1971, January 1980.

For the population 65 and over, only a fifth of the males and 8 percent of the females were in the labor force by 1979. About 30 percent of the males and 15 percent of the females 65-69 were working or looking for work compared to 15 percent and 5 percent for those aged 70 and over. Slightly over 3 million persons 65 and over were still in the labor force and of these 1.2 million were 70 and over.

## UNEMPLOYMENT

Older workers age 55 and over generally experience unemployment rates under the national average, as is shown in table 2. They are generally valued long-term employees who are protected by seniority rules and policies. But older workers who lose their jobs for various reasons including plant closings, business mergers, and economic conditions may have difficulty becoming reemployed. They have to compete against younger persons with more recent education and training and the presumption of youthful vigor. They will be seeking higher wages and salaries than those with less experience and the cost of their fringe benefits such as insurance and pensions may be higher. It may also be more difficult for older workers to relocate to areas where employment opportunities are more plentiful because of long-standing community ties.

TABLE 2—UNEMPLOYMENT RATES, BY SEX AND AGE, 1961-76

[In percent]

Year	Males			Females		
	Total, 16 and over	55 to 64	65 plus	Total, 16 and over	55 to 64	65 plus
1961..	6.4	5.7	5.5	7.2	4.5	3.9
1962..	5.2	4.6	4.9	6.2	3.5	4.1
1963..	5.2	4.3	4.5	6.5	3.6	3.2
1964..	4.6	3.9	4.0	6.2	3.5	3.4
1965..	4.0	3.3	3.5	5.5	2.8	2.8
1966..	3.2	2.6	3.1	4.8	2.3	2.8
1967..	3.1	2.4	2.8	5.2	2.4	2.7
1968..	2.9	1.9	2.9	4.8	2.2	2.7
1969..	2.8	1.8	2.2	4.7	2.2	2.3
1970..	4.4	2.8	3.3	5.9	2.7	3.1
1971..	5.3	3.3	3.4	6.9	3.3	3.6
1972..	4.9	3.2	3.6	6.6	3.3	3.5
1973..	4.1	2.4	3.0	6.0	2.8	2.9
1974..	4.8	2.6	3.3	6.7	3.3	3.7
1975..	7.9	4.3	5.4	8.0	5.1	5.1
1976..	7.0	4.2	5.2	7.4	4.9	5.0
1977..	6.2	3.5	5.2	8.2	4.5	4.7
1978..	5.2	2.7	4.2	7.2	3.2	3.8
1979..	5.1	2.7	3.9	6.8	3.2	3.3

Sources: U.S. Department of Labor, "Handbook of Labor Statistics, 1979 and 1977"; "Employment and Earnings," January 1979; January 1980; U.S. Bureau of the Census, "Statistical Abstract of the United States 1979."

As a result of the above factors, the length of unemployment tends to be longer for older men and women. The highest average durations of unemployment in 1979 were the 19 weeks experienced by males 55-64 and 65 and over as is shown in table 3. Lengthy periods of unemployment may lead to early involuntary retirement or becoming a discouraged worker and ceasing to look for a job. During the 1973-75 recession, the number of "discouraged workers" rose 200 percent among men and women in the 55-64 category compared to 73 percent for all workers. (U.S. President.)

TABLE 3.—UNEMPLOYED PERSONS AVERAGE DURATION IN WEEKS BY AGE AND SEX 1979

Age	Total	Male	Female
Total, 16 and over	10.8	12.0	9.6
16 to 19	7.4	7.9	6.9
20 to 24..	9.7	10.1	9.3
25 to 34..	11.1	12.5	9.8
35 to 44..	13.3	15.7	11.3
45 to 54..	14.5	16.8	12.1
55 to 64..	17.0	19.2	14.1
65 plus..	16.1	19.3	10.0

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings," January 1980.

## MANDATORY RETIREMENT AGE CHANGES

The 1978 amendments to the Age Discrimination in Employment Act (ADEA) increased the permissible retirement age for covered employees from 65-70 and there has been widespread speculation as to the effect on retirement trends. (See appendix for ADEA provisions.)

Preliminary results from one early study of the effect of raising the mandatory retirement age have already been discussed in the Commission's paper, "Varieties of Retirement Ages." Final results from this mail and telephone survey of firms by Portland State University show no wholesale change expected in the timing of retirement. More than half (58 percent) of the employers replying expected no change at all and only 4 percent expected more than 25 percent of the affected employees to remain on the job. However, the survey also asked about the effect on inflation and the report concluded:

"In the longer run, the state of the Nation's economy can lead to changed labor force participation rates among older workers if inflation is not reduced. In this sense, the ADEA amendments may assume greater importance as a device enabling workers to react to inflation through continued work . . ." (Copperman, Montgomery, Keast).

A survey by Charles D. Spencer & Associates, Inc., of 100 large companies found that employers expected ADEA impact on retirement trends to be minimal. Moreover, the early retirement trend was expected to continue. However, 22 percent of the respondents mentioned inflation as a qualification to their statements even though the subject was not in the survey. Inflation might affect present trends by causing more employees to remain in the work force. (Spencer.)

Not all employers have had or do have mandatory retirement. Such policies are more common among large employers with pension plans. Those that did have mandatory ages below 70 (usually 65) had to raise them to 70. Some employers have opted to abolish mandatory retirement altogether and the Federal Government was required to do so by the 1978 amendments. One study of changing the mandatory limit focused on an analysis of the prevalence of mandatory retirement prior to the amendments and the projected labor market impact on those persons covered by mandatory provisions or policies. Using data from the Social Security Administration's Retirement History Survey (RHS), it was estimated that a third of the workers were subject to mandatory retirement; impact of mandatory retirement on labor force participation was estimated at a 20 percent reduction. Applying these figures to the age cohort 60-64 in 1980, it was inferred that there would be an increase of about 300,000 of the work force 65-69 in 1985. This represents a 15 percent increase in workers over age 65. (Wertheimer and Sedliewski.)

## AGE DISCRIMINATION

Mandatory retirement has been viewed as a form of age discrimination in employment and its application has been circumscribed by law, although permitted by certain exceptions and interpretations of ADEA.<sup>2</sup> But other forms of age discrimination in employment are less tangible, consisting of attitudes which influence hiring and firing decisions. As one industry observer has put it, "What manager of a department isn't, when in need of additional help, looking for a 26-year-old college graduate with 10 years' experience?" (Knowles.)

Two Louis Harris surveys 4 years apart provide information on attitudes toward older workers on the part of the public and employers. The first nationwide survey conducted in 1974 was sponsored by the National Council on the Aging and the second in 1978 by the firm of Johnson & Higgins. Some identical questions on the subject of work and forced retirement were asked of slightly different populations. Results of the 1974 survey are in table 4 and the 1978 survey in table 5.

<sup>2</sup> See the Commission's paper "Varieties of Retirement Ages" for discussion of exceptions below age 70.

TABLE 4.—ATTITUDES TOWARD WORK AND RETIREMENT, 1974  
(In percent)

Statement	Total Public	Public 18 to 54 with responsibility for hiring and firing (18 percent)
1. Nobody should be forced to retire because of age, if he wants to continue working and is still able to do a good job.....	86	79
2. Most employers discriminate against older people and make it difficult for them to find jobs.....	80	87
3. Most older people retire of their own choice because they are tired of working or have poor health.....	66	60
4. Most older people continue to perform as well on the job as they did when they were younger.....	58	52
5. Since many people are ready to retire at 65 yr of age and it's hard to make exceptions for those who are not ready, it makes sense to have a fixed retirement age for everyone.....	49	37
6. Older people should retire when they can, so as to give younger people more of a chance on the job.....	49	49

Source: Louis Harris & Associates, Inc. "The Myth and Reality of Aging in America" Washington, D.C. The National Council on the Aging, Inc., 1975, p. 216.

TABLE 5.—ATTITUDES TOWARD WORK AND RETIREMENT, 1978  
(In percent)

Statement	Current employees (1,326)			Retired employees (396)			Business leaders (212)		
	Agree	Disagree	Not sure	Agree	Disagree	Not sure	Agree	Disagree	Not sure
1. Nobody should be forced to retire because of age, if he wants to continue working and is still able to do a good job.....	88	10	2	87	10	2	67	32	(1)
2. Most employers discriminate against older people and make it difficult for them to find work.....	80	15	5	75	20	5	41	57	2
3. Older people should be forced to retire at some age so as to open up jobs and promotions for younger people.....	34	62	4	37	55	8	46	53	1
4. Most older people can continue to perform as well on the job as they did when they were younger.....	57	33	6	61	36	3	33	64	2

<sup>1</sup> Less than 0.5 pct.

Source: Louis Harris & Associates, Inc. "American Attitudes Toward Retirement." New York, Johnson & Higgins 1979, p. 12.

The reaction to the statement, "Nobody should be forced to retire \* \* \*", shows that similar large proportions of the public and business respondents were against forced retirement in both years. In the second question, the same proportion (80 percent) of the current employees in 1978 as the total public in 1974 agreed that "most employers discriminate against older people and make it difficult for them to find work." But in 1978 only 41 percent of the business leaders agreed with that statement compared to 87 percent of the public responsible for hiring and firing in 1974. The difference in the later year could be because of heightened awareness of prohibitions against age discrimination by the ADEA and/or differences in the business population surveyed.

However, although there were fewer business leaders who agreed that there was discrimination in 1978, there were also fewer businessmen who agreed that "most older people can continue to perform as well on the job as they did when they were younger"—33 to 52 percent in 1974. The majority did not agree that they can continue to perform as well. This perception by employers is often cited

as one of the main reasons to retain a mandatory retirement age—i.e., one mandatory retirement age for all employees enables employers to humanely exit those who no longer perform as well as they once did. One of the other main arguments, to give young people a chance, is covered in question three of the 1978 survey. Slightly over one half of the business leaders and almost two thirds of the employees disagreed that older people should be forced to retire for this reason.

These two surveys illustrate that attitudes toward older workers and their forced retirement are by no means unanimous. Representatives of the business community, however, appear to be more favorably disposed toward forced retirement than employees and the general public and less inclined to assess older people as continuing to perform well on the job.

## II. THE RETIREMENT DECISION

There are usually at least three elements present, to a greater or lesser extent, in every retirement decision. (1) Anticipated retirement income, (2) state of health, and (3) relationship of the worker to the job. Other factors include the amount of assets that the worker has accumulated, the presence or absence of dependent children and the employment status of a spouse.

### RETIREMENT INCOME

Anticipated retirement income has been found to be of major importance. In voluntary early retirements, anticipated receipt of private pensions in addition to social security may be the most important factor. And the increases in social security benefits during the 1970's, including indexing of benefits for inflation, probably has been influential in the increasing trend toward early retirement for men in the 1970's compared to the 1960's when early retirement was first made available.

As has been discussed in "Varieties of Retirement Ages," the early and normal retirement ages of social security, private and public employer pension plans interact with the amount of the pension provided in influencing the retirement decision. This is most apparent in the case of Government employee pensions. As one recent study comments, "Government employees are most likely to expect to retire before 62, reflecting their generous pensions that do not have a minimum retirement age of 62" (Morgan). Another study found a "• • higher than average incidence of early voluntary retirement among Government workers. Among whites, 48 percent of Government workers as compared with 37 percent of private wage and salary workers were, in this category, among blacks the corresponding percentages were 36 and 28" (Parnes, p. 182). This same study also found that in private employment "• • the probability of voluntary early retirement is almost twice as great if a man is covered by a private pension plan than if he is not." Furthermore, "• • Median pension income is substantially higher among the early voluntary retirees than among any other group, exceeding that for the "normal" voluntary retirees by \$2,000, or 82 percent." (Parnes, p. 187.)

Thus, voluntary early retirement is definitely related to the availability of relatively high retirement income. Involuntary early retirement may result from poor health and unemployment as will be discussed.

Voluntary retirement at normal ages is also affected by the amount of retirement income available and the normal retirement ages of pension plans and social security. But disincentives to work such as the social security retirement test and the cessation of private pension benefit accruals are also factors.

### HEALTH

The state of the older worker's health has always been recognized as a major factor in the retirement decision. Surveys have shown that poor health can be of paramount importance. Yet it can also be a socially acceptable reason for disguising dislike of a job or inability to find employment. Disentangling the health factor from economic and other factors has been a major problem for researchers. As one illustration, the statements from retiree respondents "My health was bad," "I was tired of working," and "I had a good pension" are conceivably three different ways of describing an identical decision process in the case of an arthritic man in a dull job covered by a liberal pension" (Parnes, p. 265).

The latter quote is from one of the most extensive studies of the retirement decision—the longitudinal study of the preretirement and postretirement experience of men conducted at the Ohio State University with the support of the U.S. Department of Labor. An important part of this study was an analysis of the "route to retirement" including health. Table 6 shows that about half of the retirements over a 10-year period were attributable to health.

TABLE 6.—*Routes to retirement, 1966-76*

Number of retired respondents	2,018
Total percent	100
Forced out	3
Poor health	51
Voluntary	48
Early	32
Normal	14

Source: Parnes, Herbert S., and others. "From the Middle to the Later Years: Longitudinal Studies of the Preretirement and Postretirement Experiences of Men." Center for Human Resource Research, the Ohio State University, 1979, p. 173, table 6.1.

As might be expected, poor health may lead to involuntary early retirement and the receipt of disability retirement benefits. By occupation, the longitudinal survey found that among men who had worked in agriculture and the construction industry there were a disproportionate number who had retired because of poor health. It also found that, "... the likelihood for reasons of health is greatest among the poorly educated, those in the lower occupational strata, and those whose preretirement income per dependent was low." (Parnes, p. 181.) Thus the worker's socioeconomic status appears to be related to health status.

It is somewhat surprising that health remains such an important factor as shown by the surveys when overall general health is improving and longevity is increasing. A possible explanation is discussed in the 1978 "Employment and Training Report of the President" as follows:

"Although the health status of Americans in general is improving, the prognosis for older Americans is equivocal. On the one hand, biomedical breakthroughs in the last decade alone have increased life expectancy dramatically. These advances in the prevention and cure of fatal illnesses, however, seem to be accompanied by a rising incidence of nonfatal chronic ailments (such as arthritis) among middle-aged and older Americans. Current Population Survey data for 1976, for example, show that over 60 percent of 45- to 54-year-old male nonparticipants in the labor force left their last jobs due to ill health or disability; less than 15 percent of them reported any intention to seek another job. Since one of the major factors in retirement is poor health, the trend toward earlier departure from the labor force especially among men over 50, but also among women over 60, may reflect the mixed blessing of long life expectancy coupled with chronic illness." (U.S. President.)

#### UNEMPLOYMENT

One job related reason for deciding to retire is losing a job in the later years. As noted in the background section, it may result in early involuntary retirement. Long term unemployment of older workers was the main reason for instituting early retirement for men under social security in 1961. Problems with unemployment and health are still seen as powerful reasons by organized labor for retaining current early and normal retirement ages. The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) position presented to the Commission was that present retirement ages should be retained until the health of older workers improves and there are more job opportunities. Comments on unemployment, poor health and other aspects of the early retirement decision by the AFL-CIO representative follow:

"Nearly two-thirds of social security beneficiaries now retire before the "normal" retirement age of 65 on actuarially reduced benefits. Most are forced to do so by poor health and unemployment and are penalized with lower benefits for the rest of their lives."

"Obviously, when a worker should retire depends on many interrelated factors that vary greatly from one individual to another. For example, because of the physical demands of the job, the retirement decision of a laborer or a coal miner

may differ substantially from that of a white-collar worker. During their later working years, many older workers find the pace of their jobs beyond their physical ability. Large numbers of them also suffer from chronic ill health.

The social security program needs to be modified so that the retirement decision to a much greater degree would be an individual one based on one's health, employment prospects, income, and the nature of the job. Among needed changes in this regard are a liberalization in the strict definition of disability for older workers after age 50 or 55 and provision for a less than the present actuarial reduction in benefits for workers who retire prior to age 65.

Recently, much discussion has centered on proposals to raise the age of eligibility for social security benefits as a way to reduce the cost of the program. Raising the age of eligibility for full social security benefits would save the system money but would break faith with workers who have paid taxes all or most of their lives on the assumption that they would retire at a specified age on full benefits. Such proposals would also be at the expense of some of the poorest and most deprived of our older citizens—those forced out of the labor market because of health conditions or unemployment. The solution is effective economic policies that will enable people to work. The result would be more income for the trust funds and more older workers remaining in and reentering the labor force based on voluntary choice and not economic coercion. (Seldman)

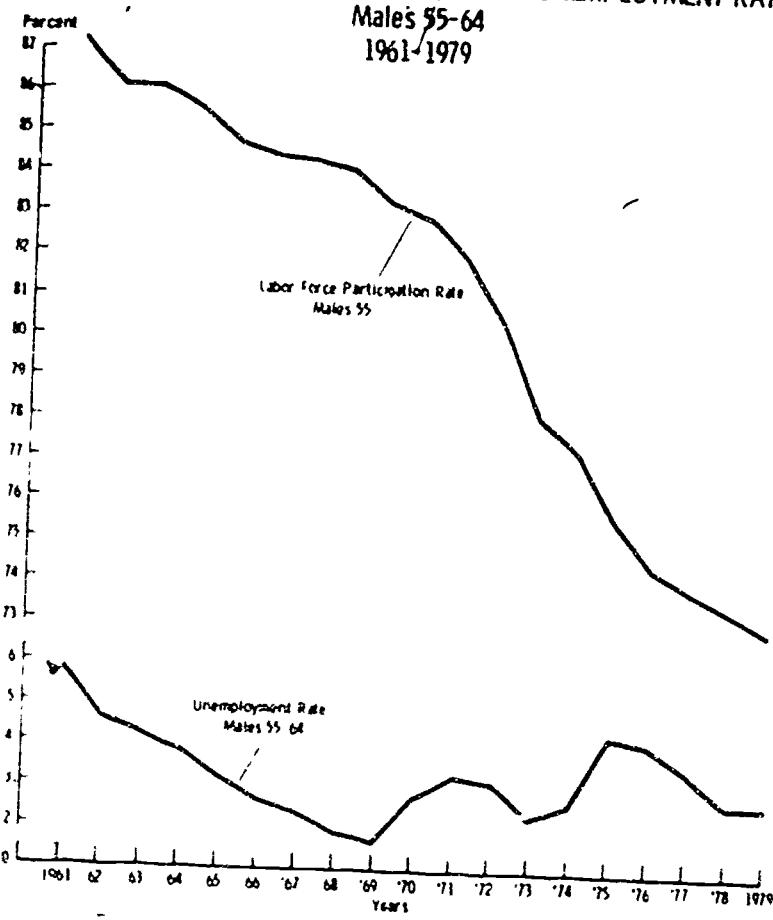
While unemployment is undoubtedly one factor in the retirement decision, it would seem that other factors are operating when unemployment rates for older workers are compared to labor force participation rates. Charts 1 and 2 compare unemployment rates and labor force participation rates for males and females 55-64 during the years 1961-70.

Chart 1 illustrates how labor force participation rates for males have invariably moved down while unemployment rates have fluctuated, ranging from almost 6 percent in 1961 to less than 3 percent in 1970. Female 55-64 unemployment rates have roughly paralleled the movement of male rates over the same years, but chart 2 demonstrates a far different pattern in labor force participation rates. The underlying trend at the beginning of the period was for increased participation whatever the unemployment rate. This trend peaked in 1969 and started to fall as unemployment rose, although unemployment was still at a very low level. The participation rate reached a low point in 1971 and rose thereafter despite the climbing unemployment rate.

Charts 3 and 4 show the relationships between the labor force participation rate and unemployment rate for males and females 65 and over. Here, again participation by males has dropped almost steadily downward whatever the unemployment rate, although participation has shown signs of stabilizing at the 20 percent level over the last 4 years. Chart 4 shows how the relatively low level of participation at the beginning of the period had dropped even lower by the end of the period, but appears to have stabilized since 1974 at the 8 percent rate.

Chart 1

## LABOR FORCE PARTICIPATION RATE AND UNEMPLOYMENT RATE

Males 55-64  
1961-1979

Source: U.S. Dept. of Labor, Bureau of Statistics, *Handbook of Labor Statistics*, 1975 and 1977. *Employment and Earnings*, Jan. 1979, Jan. 1980.

Chart 2

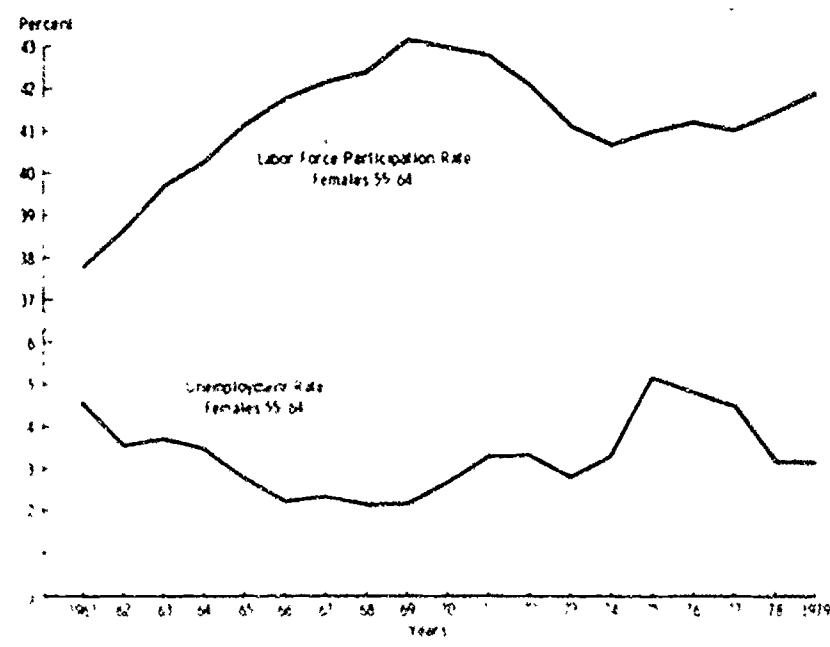
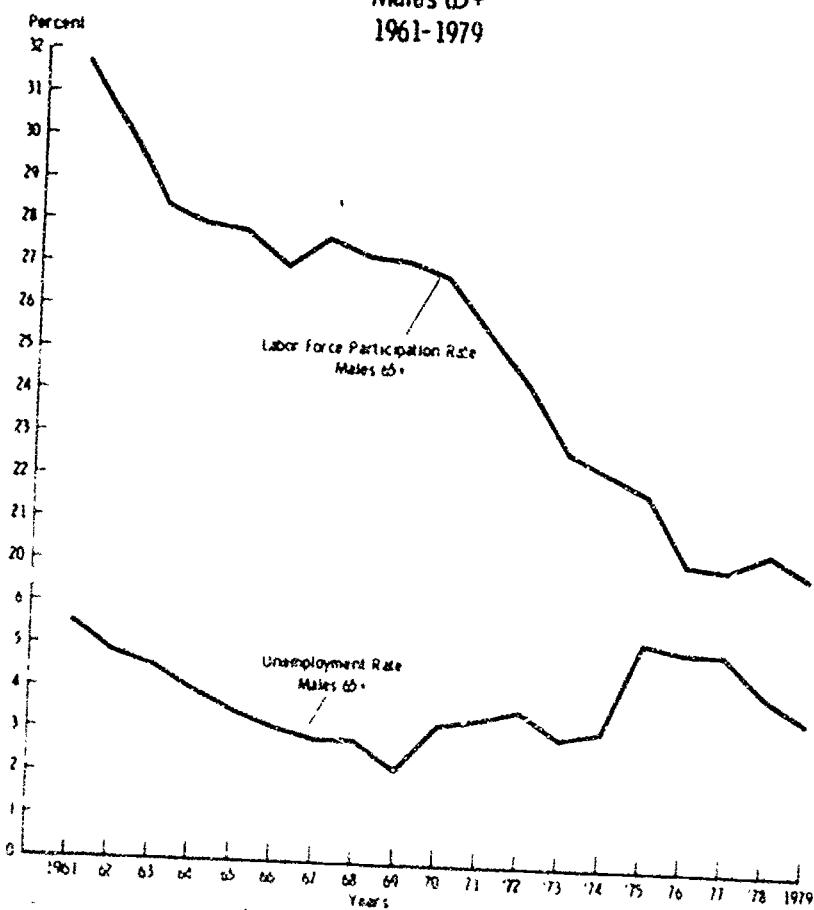
LABOR FORCE PARTICIPATION RATE AND UNEMPLOYMENT RATE  
Females 55-64  
1961-1979Source: U.S. Bureau of Labor Statistics, *Dec. 1979*.

Chart 3

LABOR FORCE PARTICIPATION RATE AND UNEMPLOYMENT RATE  
 Males 65+  
 1961-1979

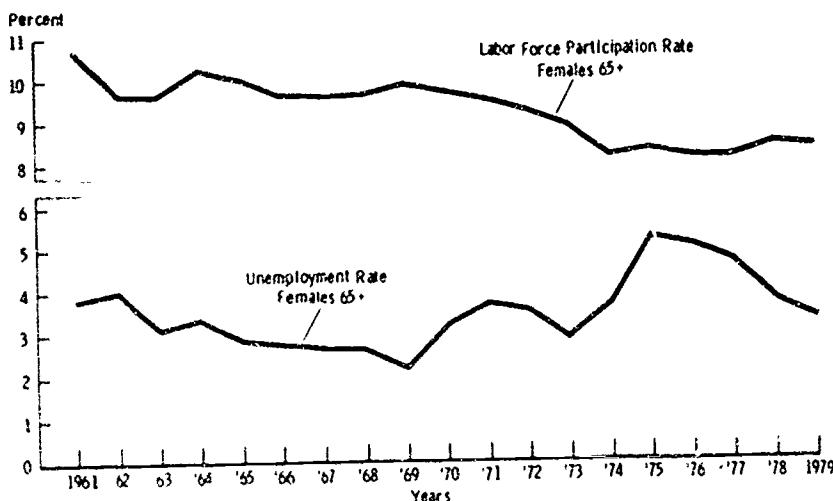


Source: U.S. Bureau of Labor Statistics. See chart 1.

50

Chart 4

LABOR FORCE PARTICIPATION RATE AND UNEMPLOYMENT RATE  
 Females 65+  
 1961-1979



Source: U.S. Bureau of Labor Statistics. See chart 1.

The preceding analysis does not show a clear cause and effect between unemployment and older worker participation in the labor force. Obviously other factors are involved.

A recent survey has uncovered another aspect of unemployment and retirement. This analysis showed that large amounts of unemployment discouraged early retirement, perhaps forcing additional years of employment to make up for financial losses due to unemployment. (Morgan.)

#### OCCUPATIONS

The type of work and nature of the employer are also factors in the retirement decision. Persons who are self-employed in small businesses or professional practices do not have any institutional pressures to retire and have more control over their working time than those who are employees. Small firms tend to not have mandatory retirement ages or pension plans while larger firms have both. Persons in occupations such as college teaching are able to have flexible hours and favorable working conditions which encourage later retirement while blue collar workers in factories must punch a timeclock and may have other constraints and less favorable working conditions which encourage early retirement. The 1978 Harris survey found that the type of employment is a major factor in attitudes toward retirement. "The self-employed are more likely than either hourly wage workers or salaried workers to want to continue working as long as possible. In total, 71 percent of the self-employed would prefer to hold some type of job instead of retiring, compared with 53 percent of salaried workers and 42 percent of hourly wage workers who express the same view." (Harris, 1978, p. 14.)

## MANDATORY RETIREMENT

As discussed in the first section, the lifting of the mandatory retirement age from 65-70 is not expected to have a great impact on the labor force participation rates of older workers as determined by recent studies. Past experience, as documented by the longitudinal study, has shown that relatively few male older workers have been forced to retire. Table 6 shows that only 3 percent were forced out by mandatory retirement provisions. The study concluded:

"It appears that very small proportions of retired men over 65 have been the victims of mandatory retirement. Of the minority of all employed men who are subject to such plans, large proportions either retire prior to the mandatory retirement age by virtue of health problems or by choice, or are not inclined to work beyond that age even if it were possible to do so. An important reason is the increasing liberality of private pension plans, which are more likely to exist in conjunction with mandatory retirement than in its absence." (Parnes, p. 175.)

## WOMEN OLDER WORKERS

It should be noted that women were not included in the Parnes survey and there is a general lack of information on the retirement decisions of older women. A survey of the research on the retirement decision states:

"To some extent, the lack of studies on the retirement decision of older women may reflect a belief that for the cohort of married women currently at or near retirement age, economic and health factors are not responsible for the labor supply decision. Such an argument explicitly underlies the exclusion from the retirement history survey of married women respondents. According to Ireland (1973, p. 4), no interviews were conducted with married women because "preliminary field interviews made it clear that for most married women of this generation 'retirement' has little meaning apart from their husband's stopping work." Although this may be accurate for the majority of women in that cohort who have no labor force attachment, it is not necessarily the case for the substantial number of older women who do work. The large body of empirical research on the determinants of the labor supply of younger married women has consistently indicated that their decision to work is more responsive to economic factors than that of men. There is no reason to expect that economic factors are any less important for older cohorts of women." (Mathematica Policy and Research.)

The 1974 Harris survey gives us some information of the importance of economic factors to women workers. When asked what they would miss most about the job, "money" was the most important factor to males and females 55-64 and the proportion choosing money was exactly the same—42 percent. A higher proportion of females than males in the 16-34 group—40 to 36 percent—chose money. Only in the 65-and-over age group was money chosen by a smaller proportion of women—27 percent—than another factor, 30 percent of these women workers felt that the "feeling of being useful" was the most important factor. (Meier.)

## III. DISINCENTIVES TO EMPLOYMENT

After becoming eligible for social security old age benefits, the biggest disincentive to work is the retirement or earnings test. The test reduces benefits for otherwise qualified old age beneficiaries<sup>3</sup> when earnings go above a certain amount. Since the purpose of the social security benefit is to replace earnings lost because of retirement, the test is used to determine who is retired. The test does not take into account any other income since (according to the rationale for the test) that would change the nature of social security from an earnings related insurance program to an income tested program.

Originally no earnings were permitted, but the earnings test has been gradually liberalized to allow a small amount of earnings without loss of benefits. By 1977, the amount was \$3,000 with a \$1 reduction for every \$2 earned thereafter. In 1977 legislation drastically liberalized the test, doubling the exempt amount by 1982 for persons 65 and over and lowering the age when the test no longer applies.

<sup>3</sup>The impact of the earnings test on disability beneficiaries is discussed in the Commission's disability paper.

Currently, if persons ages 65-70 have earnings over \$5,000, \$1 in benefits is withheld for every \$2 earned above the limit. For persons 62-64, the limit is \$3,720 and there is no limit for persons 72 and over. Age 72 is scheduled to be reduced to 70 after 1981. The exempt amount is scheduled to rise to \$5,500 in 1981 and \$6,000 in 1982. Thereafter, the level will be adjusted automatically in accordance with average annual earnings as is currently true of the level for persons 62-64.

The fact that the test provides for a \$1 reduction for every \$2 earned above the exempt amount results in a 50 percent tax rate on these earnings. This, it is generally recognized, results in a powerful work disincentive. As one study of middle- and upper-level retired managers and professionals found, "Many of the respondents will not even consider lucrative positions because social security earned income limitations and the resulting heavy marginal tax rates are such an irritant and a disincentive" (Gray and Morse). Other studies have shown that retirees tend to limit their work effort so that earnings do not exceed the exempt amount and the exempt amount is viewed as an earnings ceiling by many older workers (Hacking). Thus, the effect of the test is to eliminate some workers from the labor force altogether and place a limit on the part-time earnings of others.

#### WORK EFFORT ESTIMATES

Just how much work would be stimulated by the removal of the test is a subject of some controversy involving not only the supply and demand for persons 65 and over<sup>4</sup> but also the importance of the test in the retirement decision. This is difficult to determine either theoretically or empirically. A recent analysis looks into the probable response of working individuals ages 65-69 and those of the same ages who are retired. The study assumed no new incentives to hire older workers and is a 1-year estimate.

Table 7 presents the results of the study in terms of additional earned income and social security (OASDIHI) payroll taxes resulting from eliminating the test. Table 8 shows the number of workers and the increase not only in OASDIHI taxes but individual income taxes that would result from additional full-time employment of workers who would otherwise be fully retired. The number of workers is an estimated 10 percent of a group of retired workers in 1978 with recent earnings above the then retirement test ceiling of \$4,500. The authors note, "The selection of 10 percent as an upper boundary as the proportion of the select group of retired workers aged 65-69 (including retiring workers aged 65) who would continue full-time employment is a personal judgment" (Gordon and Schoepflein).

TABLE 7 - CHANGE IN EARNED INCOME AND OASDIHI TAXES AFTER ELIMINATION OF RETIREMENT TEST, WORKERS AGES 65 TO 69

[Estimates in thousands]

Type of worker age 65 to 69	Earned income	Change in —			OASDI taxes
		Total	OASI	DI	
Total		\$578,614	\$463,382	\$83,561	\$131,671
Current worker	\$1,035,358	138,736	94,734	17,083	26,919
Retired worker - 10 percent of selected workers	4,028,933	539,878	368,648	65,478	104,752
Percent of change in taxes <sup>1</sup>		13.4	9.15	1.65	2.6

<sup>1</sup> Based on 1982 combined employee-employer tax rates

Source: Josephine G. Gordon and Robert N. Schoepflein, "Tax Impact from Elimination of the Retirement Test," *Social Security Bulletin*, September 1979, table 2.

<sup>2</sup> This analysis is limited to this age group.

TABLE 8.—ADDITIONAL WORKERS, EARNED INCOME, AND INCREASE IN INCOME AND OASDHI TAXES AFTER  
ELIMINATION OF RETIREMENT TEST, RETIRED WORKERS AGES 65-69  
[Estimates in thousands]

Income tax filing status	Number of workers <sup>1</sup>	Change in earned income	Increase in—	
			Individual income taxes	OASDHI taxes <sup>2</sup>
Total	299,000	\$4,028,933	\$766,450	\$539,877
Individual <sup>3</sup>	148,000	1,294,485	211,130	173,461
Married principal wage earner	151,000	2,734,448	575,329	366,416

<sup>1</sup> Represents 10 percent of filed and nonfiled returns of retired workers with constructed annual earnings of above \$4,500.

<sup>2</sup> Based on 1982 combined employee-employer tax rate of 13 4 percent.

<sup>3</sup> Includes filed and nonfiled returns of single persons, married persons filing separately, and heads of households.

Source: Jozephine G. Gordon and Robert N. Schoeplein, "Tax Impact from Elimination of the Retirement Test," Social Security Bulletin, September 1979, table 3.

Additional taxes raised by social security beneficiaries working after the removal of the retirement test would offset to a certain extent the cost of removing the test. The Gordon-Schoeplein study concluded that elimination of the retirement test for workers ages 65-69 would result in an additional \$678.6 million in payroll taxes and an extra \$977.8 million in Federal income taxes. This would offset 79 percent of the \$2.1 billion that the Social Security Administration has estimated it would cost to eliminate the test and pay benefits to all eligible persons who are working.

The panel of consultants of economists and actuaries to the 1979 Advisory Council on Social Security emphasized costs of removing the test in its analysis of the retirement test. Relevant empirical work, it concluded:

"\* \* \* indicates the vast uncertainty that must be attached to any estimate of the effect of the retirement test on the work effort of the elderly. However, it is the panel's judgment—and it is only a judgment—that it would be unwise to believe that a very high proportion of the total costs of removing the test could be recouped from increased payroll and income tax collections. In order to conclude that recouped revenues significantly exceed one-third of the costs of removing the test, it is necessary to assume that the totally retired population would be reduced in size by a significant amount. It seems hard to believe that the test is that important to the retirement decision more likely less than one-third and perhaps as little as 5 to 10 percent of the cost of removing the test could be recouped as the result of increased work effort." (Advisory Council on Social Security, p. 355.)

It is apparent that judgment is inevitably involved when estimating the work effort elicited and taxes that would be raised by eliminating the retirement test. Estimating other economic effects also must employ judgment.

Aside from generating increased tax revenues, the additional work effect brought forth by eliminating the earnings test would have other economic effects. The National Retired Teachers Association and American Association of Retired Persons, in presenting testimony to the Commission which in part urged the abolishment of the test, stated that:

"\* \* \* If only 1 million older persons reenter the labor market on a part-time basis, even earning at the minimum wage, the increase in gross national product that would occur would exceed the \$2.9 billion that the Social Security Administration recently estimated would be the annual cost of repealing the test for persons age 65 and over" (Hacking.)

#### EQUITY ISSUE

This paper is looking at the retirement test as an employment disincentive. However, there are other aspects to retaining, liberalizing, or abolishing the test which need to be briefly mentioned. One major reason for abolishing the test

is on grounds of equity. As the panel of consultants to the Advisory Council states:

"It is very hard to concoct an argument for the retirement test based on equity. To the extent that social security can be regarded as either an income maintenance program or as a program that insures the elderly against a loss of income, it is illogical to argue that earned income should reduce benefits while various types of investment income, including private pensions, should not." (Advisory Council on Social Security, p. 356.)

The fact that earnings cause reduction of social security benefits while other forms of income do not is the principal reason that retired persons see it as unfair and why Congress has frequently liberalized the test. As the largest organization of retired persons, NRTA-AARP, has pointed out:

"Given this country's historical predisposition to the work ethic and the fact that the only income-related means test imposed by the social security system is on earned income, it ought to be clear why the test is so unpopular among the elderly and why it is frequently the target of congressional proposals" (National Retired Teachers Association-American Association of Retired Persons.)

#### BENEFITS TO HIGH INCOME PERSONS

A major reason for retaining the test is that removing it would primarily benefit relatively higher income persons. The funds which would be used to pay them benefits while they are still working could be better utilized elsewhere.

Those who are working, of course, tend to have higher incomes than those who are not since most pensions and social security replace only a portion of wage or salary income. The report of the Advisory Council notes that "Estimates based on 1976 data indicate that where a worker aged 65-69 is affected by the earnings test, total income for couples is almost twice- and for single persons, three times- the income of those not affected" (Advisory Council on Social Security, p. 183.)

However, there are many persons affected by the retirement test who are working only part time and either hold down their hours of work or drop out of the labor force altogether because of the ceiling imposed when the earnings test begins to reduce benefits. Some persons also fail to report earnings because of the test. In addition, surveys have shown that persons with low retirement incomes tend to want to return to work more than those with higher incomes. The 1974 Harris survey showed, for example, that 43 percent of persons aged 65 with incomes under \$3,000 and who are not working would like to work compared to 31 percent for the retired population as a whole (Meier.)

Thus, there are labor force dropouts with low incomes who would be benefited as well as those with high incomes from earnings who would benefit from abolishing the retirement test.

#### ADVISORY COUNCIL DECISION

Since the 1979 Advisory Council on Social Security has carefully reviewed whether or not to retain the retirement test, it is pertinent to review their reasons for retaining the test. The majority of the council:

(1) Decided that other program improvements should take priority over increasing the exempt amount.

(2) Agreed that concerns about work incentives had some validity but that elimination of the test represented a low-priority use of funds.

(3) Supported the continued application of the test to earnings only.

Four members of the 15 member council presented a supplementary statement on the need to phase out the earnings test. They concluded that the retirement test can no longer be supported on a strictly logical basis and

"The only real justification for continuing the test is the fact that the only persons who are really hurt by the test are persons whose income is quite substantial in relation to other beneficiaries. To eliminate the test would cost about \$1 billion per year and when funds are so tight there are many other beneficiaries whose need is more desperate. The retirement test really should be phased out over a period of years" (Advisory Council on Social Security, p. 239.)

Six members of the Council signed a supplementary statement on liberalizing the earnings test stating:

We agree with the majority of the council that it is probably undesirable to raise the amount of earnings that an individual can make and still receive social

security benefits. However, we are concerned that the 50 percent tax on earnings above this threshold will continue to impair work incentives. Because the population is aging, we should do all we can to encourage people over 65 years of age to continue to work." (Advisory Council on Social Security, p. 240.)

The partial payments schedule that was submitted as an illustrative way to further liberalize the earnings test is given in table 9. This particular schedule originated with Professor Diamond of the Massachusetts Institute of Technology. Under this proposal, 15 percent of social security benefits for those age 65 would be exempt from the earning test ranging up to 75 percent for those age 69.

TABLE 9.—PROPOSED PARTIAL PAYMENTS OF BENEFITS  
(In percent)

Age	Independent of retirement	Subject to earnings limitation
62 to 64	0	100
65	15	85
66	30	70
67	45	55
68	60	40
69	75	25
70 and over	100	0

Source: Reports of the 1979 Advisory Council on Social Security. "Social Security Financing and Benefits." Washington, D.C., U.S. Department of Health, Education, and Welfare, p. 241.

#### WAGE RELATIONSHIP

The proposal presented in table 9 is somewhat complex and would probably be both difficult to understand by retirees and difficult to administer since the exempt amount would change every year as individuals aged. An alternative is to simply raise the test as has been done in the past but to link the base with wages instead of on an ad hoc basis. This has already been done with increases after 1982 for those ages 65-69 but these increases would be on a base of \$6,000. If it was thought desirable to encourage more people to work part time, the exempt base could be raised to one-half the average wage or salary of the younger working population and then increased as wages increased. This is only illustrative; other formulas could be devised relating the earnings test in a more rational way to desired labor market effects.

#### TAX EXEMPTION

Instead of further liberalizing the earnings test, Merton Bernstein made the following proposal in testimony before the Commission to induce later receipt of social security benefits:

"I propose favorable tax treatment for those who work beyond age 65 consisting of exemption from tax for that portion of their earned income that equals their social security benefits if they had retired. The general fisc may be no worse off than if such people did retire, in that a like amount would not be taxable. Indeed, the fisc might be better off to the extent of their other taxable earned income. (Not everyone who retires is replaced.) The social security fund would be decidedly better off for not having to pay their cash benefits. This device has the effect of a partial general-revenue supplementation device without actually tapping general revenues. However, general revenues would decline because of the nontaxation of income earned by those who would work and earn without the inducement. In any event, this device seems preferable to a relaxation in the retirement test. Indeed, it might be put to work as a partial substitute for past relaxations of the test. Such a move warrants exploration." (Bernstein.)

#### DELAYED RETIREMENT CREDITS

Under the social security system, delayed retirement credits permanently increase the benefits of those who delay retirement beyond age 65. Credits are awarded for each month retirement is postponed. They are, however, only

\* \$15,023 for those 25-64 in 1978.

awarded up to age 72 when benefits are paid, regardless of work (due to be lowered to age 70 after 1981).

It was not until 1973 that the social security benefits of workers who postponed retirement beyond age 65 were given any additional credits. This was added in the interest of equity for those who continued to work. In the 1972 Amendments to the Social Security Act, the primary insurance amount was increased by one-twelfth percent for each month in which receipt of social security benefits was postponed. The 1977 amendments raised the delayed retirement credit from one-twelfth percent per month (1 percent per year) to one-quarter percent per month (3 percent per year). The 3 percent retirement credit begins in 1982 for people who reach age 62 in 1979 or later. For people who reach age 62 prior to 1979, the 1 percent annual credit continues to apply. It is estimated that in 1983 (the first year the increased benefit reflecting the 3 percent credit becomes payable) 100,000 people will get higher benefits and \$15 million in additional payments will be made. (Social Security Amendments of 1977.)

Raising the delayed retirement credit in 1977 was an attempt to offset the effects of changes in the benefit recomputation provisions\* to encourage workers to remain in the labor force. However, it is still relatively weak work incentive. Although Congress recognized that a 3 percent increase would be closer to an actuarially fair benefit increase, it was felt that the social security system could not afford to pay credits that high. According to a background paper prepared for the 1979 Advisory Council on Social Security, the estimated cost of the delayed retirement credit is .03 percent of payroll for every percent increase in the credit. If the credit was raised to 7 percent to stimulate additional work effort, this would have required an estimated \$100 million in increased taxes in 1978. This does not take into account, of course, any addition to OASDHI taxes or income taxes because of additional work effort.

#### PENSION DISINCENTIVES

Outside of social security, retirees with private pensions are sometimes prohibited from working in the same industry or trade, particularly when the pension is under a multiemployer plan. Prior to the passage of the Employee Retirement Income Security Act (ERISA) forfeiture provisions in salaried plans which prohibited working for competitors were fairly common but were rare in collectively bargained plans. But, particularly in the building trades industry, there were prohibitions against working in the trade after retirement. This followed the principle that the retiree should be prevented from competing with the active employee for available work. (EBPR.)

ERISA, however, provided in section 203 that an employee's right to a normal retirement benefit is nonforfeitable upon the attainment of normal retirement age. ERISA did allow for suspension of benefits if the retiree became employed by the employer who maintains the plan or "in case of a multiemployer plan, in the same industry, in the same trade or craft, and the same geographic area covered by the plan, as when such benefits commenced." (Section 203, 3 B II.) The Secretary of Labor was directed to prescribe regulations to the above including the meaning of the term "employed."

Proposed regulations were issued December 19, 1978, but never became final. Under the proposal, a retiree may be regarded as employed for purpose of suspension of benefits if an employee completes 40 or more hours of service in a calendar month. The regulation also dealt with the amount of the benefit that could be suspended and a definition of employers which maintain the plan as well as a definition of multiemployer plans. To date, this regulation has not been made final. Nevertheless, it is apparent that ERISA permits suspension of benefits for the retiree upon reemployment only under limited circumstances and primarily under multiemployer plans if the retiree is reemployed by an employer other than the one previously worked for.

\*The benefit recomputation procedure allows an individual who works an additional year to substitute the earnings from the year worked for the earnings from a prior year if it would produce a higher earnings base for the purpose of figuring benefits. Among regular workers, benefit recomputations were far more advantageous when earnings were not indexed.

## FEDERAL EMPLOYEES

In the Federal Government, Federal retirees who are reemployed by the Government have their pay reduced by the full amount of the annuity received. This tends to discourage part-time work to supplement retirement income but also prevents receiving two incomes from the same source. However, additional service as a reemployed annuitant may qualify the employee to receive a higher retirement income either through a supplemental annuity or a recomputation of the basic annuity.

## PENSION ACCRUALS

As was discussed in the Commission's working paper, "Varieties of Retirement Ages," additional pension accruals after normal retirement age are not required and thus there is no pension incentive to work beyond normal retirement age unless the employer chooses to provide one. Although the Congress, in passing the 1978 amendments to the ADEA, prohibited mandatory retirement before age 70, it did not require that employers give additional service credit or pension accruals for employment after normal retirement age, often age 65. The Labor Department, which had the responsibility of enforcing the ADEA, issued an interpretive bulletin on the ADEA Amendments of 1978 which allows an employer to cease contributions to a defined contribution plan for workers over normal retirement age, and allows a defined benefit plan to fail to credit, for purposes of benefit accrual, service which occurs after an employee's normal retirement age. The regulation was consistent with legislative intent that raising the upper age limit of mandatory retirement should not affect or disrupt present pension practices, as regulated under ERISA. The regulation has been opposed, however, by those who feel that not providing accruals to those over normal retirement age who continue to work is discriminatory and discourages work effort. Also, there are cost savings arising from later retirement which would offset the cost of additional accruals to employers.

Since the Equal Employment Opportunity Commission (EEOC) assumed responsibility for enforcing the ADEA on July 1, 1980, it has been involved in outlining proposals to revise the existing interpretive bulletin with regard to pension accruals. This particular area has been the subject of many complaints filed with EEOC. Proposed regulations to change the interpretations on pension accruals were submitted to the EEOC Commissioners in April 1980, which attempt to address both the current inequities as well as employers' objections to change. In drafting these proposals, the EEOC has stressed consistency with ERISA regulations.

The major proposed changes focus on, (a) defined contribution plans, and (b) defined benefit plans.<sup>7</sup>

(a) Contributions to defined contribution plans would be required to continue for employees whose individual accounts are not sufficient at normal retirement age to meet the benefit goals specified in the plan and for those participants in plans for which no benefit goals are specified (usually profit sharing, thrift and savings plans as opposed to money purchase and target plans). Contributions to nonsupplemental defined contribution plans may cease at normal retirement age if there are adequate funds to purchase benefits according to the established plan goals.

(b) Defined benefit plans would be required to credit years of service after normal retirement age and would permit cessation of benefits accruals only for those entitled to a fully accrued unreduced benefit. Other adjustments would have two alternative approaches. The first alternative would require that an employer adjust actuarially the benefit calculated as of normal retirement age to reflect the postponed retirement date. The second approach would require plans to recalculate an employee's normal retirement benefit to include salary increases and benefit improvements which occur during post-normal retirement age service.

The proposed regulations, whether or not they become effective, will have no effect on the processing or decisions of pending complaints, which will continue to be handled under the Labor Department's Interpretive bulletin. One complaint, filed by an individual represented by the United Auto Workers (UAW), was

<sup>7</sup> Another major proposal would require an employer to provide pension or retirement benefits to those hired within 5 years of normal retirement age, by two alternative ways. They may now be excluded.

based on the employer's failure to award credit for service after normal retirement age. It is the UAW's position that this action is prohibited by the ADEA, and it is possible that a suit may be filed to this effect. If so, a court decision may affect the interpretations of the ADEA.

As discussed in the Commission's working paper, "Varieties of Retirement Ages," a research project funded by the Administration on Aging to assesss the impact of the ADEA on the business community surveyed employers with respect to pension accruals.

"Fifty-nine percent of the firms in the sample indicated that their pension plans permit pension benefit accruals after age 65. These firms employed 84,736 workers. Another 7 percent indicated they expected their plan to be modified to allow such accruals. Thus 66 percent of the firms will permit pension benefit accruals after the normal retirement age in the near future. Permitting accruals was not significantly associated with either organizational size or industrial classification.

"Of the firms which will permit accruals nearly three-fourths will provide service credits, wage increases and/or continued contributions to defined contribution plans after the normal retirement age. The provision of wage increases will perhaps have the most significant effect on eventual retirement income for persons in defined benefit plans. This provision is significantly related to the size of the firm with larger firms more likely to permit wage increases after the normal retirement age." (Meier and Dittmar.)

A study conducted by Towers, Perrin, Forster, and Crosby found 57 percent of the respondents froze the pension benefit at normal retirement and 20 percent of the plans allowed additional accrual of benefits based on both earnings and service after the normal retirement date. Towers, Perrin, Forster, and Crosby commented, however, that the responses probably reflected pre-ADEA practices, rather than conscious policy in this area.

Thus, it is apparent that the post-normal retirement age pension accrual issue is still in flux with employers, the regulatory agency and the courts still in the process of making decisions. (Towers, Perrin, Forster, and Crosby.)

#### IV. EMPLOYMENT INCENTIVES

While most people retire willingly, others become discouraged workers when they become unemployed and can't find a job. Other persons for health reasons feel that they can no longer handle a full-time job. Still others want to have more leisure to explore different interests. These types of workers may retire prematurely; some would stay in the labor force, it has been speculated, if they had more opportunities for employment, for alternative work patterns, and for different types of work.

Economic reasons for encouraging older persons to remain in the labor force longer include decreased pension costs, increased tax payments, increased productivity and the projected need for more older workers as the number of young entrants is declining and will decline further in the years ahead. Benefits for older workers include the right to choose whether to work or retire, continued employment opportunities, earned income, positive feelings of self worth and job satisfaction.

#### ALTERNATIVE WORK PATTERNS \*

##### Phased or Gradual Retirement

In various forms this policy involves a reduction in worktime and an increase in leisuretime for older workers. Phased retirement offers both psychological and economic support to the employee approaching retirement. Employers retain the skills and productivity of older workers and may reduce costs associated with early retirement. But few employers presently offer phased retirement programs in the United States. In a recent study of the impact of the ADEA amendments, 7 percent of the respondents in a mail survey, indicated they had implemented phased retirement which was defined as a policy which allows a qualified worker to receive a partial pension while receiving partial wages. Another 2 percent were beginning to implement such a program and 15 percent were considering the policy (Copperman). Another survey of members of the American Society for

\*The following discussion is drawn primarily from a special analysis, "In the Wake of the ADEA Amendments," prepared for the Commission by Lois F. Copperman and Fred D. Keast of the Institute on Aging, Portland State University.

Personnel Administration found that only 15 percent of the respondents have a tapering off program in which at least some employees can reduce worktime as they approach retirement (Bureau of National Affairs).

The following two programs provide examples of how phased retirement might be implemented in practice. Teledyne Continental Motors of Milwaukee, Wis., has developed a Golder Bridge policy which enables employees reaching age 58 with at least 30 years of accredited employment to receive 160 extra hours of paid vacation during ages 58 to 61 and 200 hours for persons ages 62 to 68. This time can be taken as paid leave, income payable at the end of the year of retirement, or in monthly installments after retirement. Employees continue to receive fringe benefits while participating in the program (Walker and Lazer).

Another type of program is seen in the following case study. In 1976, Electro, Inc. (fictitious name), developed a retirement transition policy based on requests by older workers for decreased work hours and the need for the firm to retain qualified workers. Under the guidelines of this policy, individuals with 5 years of experience and 60 years of age could elect to reduce their workweek for a period not to exceed 2 years. If necessary, requests for work reductions could result in changes in job assignments; e.g., if a supervisor whose job required full-time work wished to reduce his or her hours, the employee's participation would be contingent on the availability of a part-time job. The availability of part-time work was not considered a problem in the tight labor market expanding firm context.

Employees in the program would continue to be eligible for benefit participation on the same basis as regular employees. Where eligible earnings determine the degree of participation, the employee's participation would be based on the reduced income level. Pension benefits, which were from a defined contribution plan including profit sharing, were not greatly affected although contributions were reduced along with salary.

The number of participants has been relatively few—ranging from 5 to 10 percent of eligible workers—and mostly skilled production workers, but those that participated would have retired completely without the program. Participants generally have enrolled in the program in order to increase leisure activities while remaining active in the field of work. None of the participants have stayed beyond the normal retirement age of 65 although, somewhat surprisingly, there were other employees over 65 still working full time.

#### *Part-Time Options*

Although it has been illustrated in the previous case study that those over age 65 continued to work full time, significant numbers of older workers may prefer part-time employment to full-time work. In the 1978 Harris poll, 23 percent of the retired respondents and 23 percent of current employees sampled indicated that they would prefer continued part-time employment to full retirement. (Harris 1978.)

There are various possibilities. Older workers may switch to part-time employment with the same employer or begin part-time work with a new employer. Part-time work can be either permanent or temporary. Job sharing between two individuals may be utilized for permanent part-time employees. Some employers keep lists of retirees who are available for work on a temporary basis. Others may utilize temporary help employment services.

The category of permanent part-time workers is one of the fastest growing segments of the U.S. work force and includes all ages. In 1978 it included close to 17 million people, mainly women. (Morrison.) The ADEA impact survey found that part-time options were the most commonly provided alternative work pattern among the responding firms, with 22 percent of the firms having implemented or beginning to implement part-time options. Only 50 percent of the employers were not considering adopting such policies. (Copperman.)

The over 65 (and the under 20) are the most likely of all age groups to work part time. Nearly half (49 percent) of all those age 65-plus in the labor force are working part time. The rate of part-time employment among the 65-plus has increased despite decreases in the overall employment rate of this age group. (McConnell.)

The utilization of part-time workers may result in considerable benefits for a firm. One study found that the most frequent reason for not seeking part-time help is concern about worker dependability. Potential turnover and absentee problems were also frequently cited as sources of concern. However, the supervisors sampled were generally conceiving of the part-time help as young, unskilled

workers. When an employer recruits part-time help from mature older workers who are stable and skilled, the problems concerning part-time workers are substantially reduced. When paying a part-time wage rate similar to that of full-time employees, absenteeism and turnover stay low. Older workers generally do not lack job skills, and the mix of skills in a labor pool of older workers are similar to that of the full-time labor supply. (Werther.)

There are pension-related problems, however, with part-time employment for older workers. In the Federal Government, the Federal Employees Part-Time Career Employment Act of 1978 has established a program to provide career part-time employment opportunities. But this program has not been entirely successful as a phased retirement program because of what the Office of Personnel Management calls economic tradeoffs. Not only does reduced work mean reduced pay, but the employee who switches from full time to part time will not be able to use promotions or pay raises after the change to increase the size of the retirement pension since it is computed on the highest average annual pay received for any 3 consecutive years. For most employees, this high-3 base will be computed for the period before they began working part time. (U.S. Office of Personnel Management.) Most defined benefit plans have similar formulas, so the effect on retirement pay will be similar in both the public and private sectors for employees covered under defined benefit plans.

Some of the pension-related problems for those older workers who wish to work part time have been discussed in the previous section on disincentives. There are other economic and noneconomic problems with part-time work. Supervisors may have to take nonsupervisory jobs, for example, which generally means loss of status. In fact, many part-time jobs have traditionally been low status and low paying except for self-employment and consultant-type of jobs. Part-time employees may be considered in a category apart and not considered for advancement. Firms hiring retired people on a part-time basis may also capitalize on the fact that they have pension income and pay low wages without fringe benefits. Employers may also find the social security retirement test a constraint on utilizing social security retirees. As one small business employer stated:

"My business is a janitorial service and my only wish is that there was no limit on Social Security earnings. We have good workers that can only work part year so as not to be penalized with deductions from their social security that they have paid all their years." (Copperman and Keast.)

#### *Flexitime*

Flexible work hours offer employees the opportunity to choose their own arrival and departure time from work within limits set by management. For older workers, flexitime allows increased flexibility in adjusting work and leisure hours to suit individual needs. Most flexitime implementation has been initiated by management to increase employee morale and job satisfaction, reduce turnover, and ease problems of absenteeism and tardiness. Research evaluating flexitime shows no negative results. Flexitime appears to have few serious disadvantages, and is easier to implement than policies such as a compressed work week. (McCarthy.)

Results from the ADEA Impact study indicate that approximately 14 percent of employers have implemented flexitime programs and another 3 percent are beginning implementation, 17 percent are giving flexitime preliminary or serious consideration. The size of the employer, defined as the total number of employees, had no significant association with the company position on flexitime. Smaller firms were as likely to have adopted flexitime as larger firms. (Copperman.)

#### *Job Redesign*

When older (or younger) workers can no longer perform a given job, the usual employer response is to transfer the employee. Other possible responses include early retirement, disability retirement, or putting the employee on the shelf. Job redesign has been recommended as an alternative response to presumed physical and mental changes to enable workers to cope with their regular jobs. This is seen as changing jobs in order to match the capacity of workers growing older. (Sheppard.) It is related to, but not necessarily the same as, the job enrichment movement which seeks to improve the quality of jobs for all workers. Task analysis is generally involved in both cases.

According to a 1967 Department of Labor report, few of the 1,000 largest American industrial corporations have specifically redesigned jobs for older

workers. There is no compelling reason to think that much has changed in this regard, although the quality of worklife projects may coincidentally include older persons. (Sheppard.)

#### TRAINING AND EMPLOYMENT PROGRAMS

Job retraining to equip workers for new jobs has often been unavailable to older workers. More often than not, the opportunity to participate in new learning experiences and retraining programs decline as a person approaches retirement. (Copperman and Keast.) Reasons for this have included a belief on the part of employers (and educators as well) that it was not worthwhile or cost effective to train older persons compared to younger persons because of the expectation of shorter work lives. Other reasons have included the lower level of education of older persons compared to younger people and a belief that learning abilities decline with age.

The argument concerning cost effectiveness for the employer or educational institution fails to take into account the fact that job and career turnover is higher for younger ages than for older ages. And, it has been argued:

"There are reasons to believe that new training is complementary with previous training. That is, more highly experienced or educated workers can learn new skills in a shorter period of time, thus reducing marginal training costs. To the extent that the prior experience of older workers makes them more trainable, the increase in marginal costs of training with age is reduced." (Sammartino.)

#### *Education and Training*

The argument concerning education is less cogent than it once was since:

"• • • it appears that the gap in education between younger and older workers is narrowing, which would contribute to a continuing reduction in relative training costs. In 1960, 40 percent of 55- to 64-year olds had at least a high school education, compared with 70 percent of 25- to 34-year olds; by 1976, the percentages were 60 and 85, respectively. By 1990 the median years of education for workers aged 45-54 is projected to be 12.6, and 12.5 for those aged 55 to 64, compared to 12.7 for the total civilian labor force • • •" (Sammartino.)

With regard to learning, various research has demonstrated that learning ability and intelligence does not necessarily decline with age. As a Department of Labor study states:

"Regarding learning and training, Birren suggests that, under most circumstances, there is little change in primary learning ability as age increases. When differences between age groups do appear, they are usually the result of differences in perception, set, attention, motivation, and physiological state, rather than learning capacity." (U.S. Department of Labor, p. 84.)

Not all older workers (and younger workers as well) are interested in training programs, but a substantial proportion are as shown in table 10 which is based on the 1974 Harris survey. Although the younger population 18-54 had the highest proportion of men and women who were interested in retraining, more than one-third of those ages 55-64 would be somewhat or very interested in such training. Of the public 65-and-over, a small proportion—16 percent of the women and 17 percent of the men—were interested. Considering the barriers to employment for this age group (including at that time mandatory retirement at age 65) it is not surprising that only a relatively few were interested. The into the smaller age groups, i.e., 65-69, 70-74, 75 plus.

TABLE 10.—INTEREST IN LEARNING NEW SKILLS OR PARTICIPATING IN JOB TRAINING PROGRAMS, BY AGE AND SEX

[Percent distribution]

Answers	18 to 54		55 to 64		65 and over	
	Male	Female	Male	Female	Male	Female
Very Interested.....	35	30	15	12	7	6
Somewhat Interested.....	24	29	22	24	19	9
Not at all.....	36	35	25	55	77	78
It depends.....	4	6	7	7	5	5
Not sure.....	1	—	2	2	1	2

Source: Elizabeth L. Meier, "Aging in America: Implications for Employment." Washington, D.C.: The National Conference on the Aging, 1976.

### Federal Programs

In general older workers are not represented proportionately to their eligibility in Federal employment and training programs. Programs under the Comprehensive Employment and Training Act (CETA) have mainly served unemployed and underemployed youth. CETA is funded at around \$15 billion. But for the last 4 years scarcely 10 percent of all participants were age 45 or over with sharply declining proportions for individuals aged 55 and over. (Federal Council on Aging.) According to a CETA analysis issued in May 1978, those under 22 made up 51 percent of the 1.1 million participants in CETA title 1 projects but only 22 percent of those eligible, those 45 and over made up 7 percent of the participants but 22 percent of those eligible for participation. (Iauer, table 1.)

In 1978, however, CETA was amended (section 305 of title III) to mandate the development and establishment \*\*\* of programs for middle-aged and older workers, which will lead to a more equitable share of employment and training resources for middle aged and older workers. Research and demonstration programs are called for which are funded for \$2 million in fiscal 1980 and will be funded for \$5 million in fiscal 1981 according to a recent statement of the Secretary of Labor.

### Senior Community Service Employment Program (SCSEP)

The major employment program specifically directed toward older workers is the SCSEP program, often referred to as the senior aid program, funded under title 3 of the Older Americans Act. This program is administered by the Department of Labor (DOL) and provides about 50,000 part time jobs in human services occupa. ons for workers age 55 and over who have been chronically unemployed and are below the poverty level. The SCSEP program is separate from the CETA program and is subcontracted to the national aging organizations as well as State agencies on aging. According to DOL, there are 10 applicants waiting for every opening in this program.

SCSEP has been generally successful not only in providing earned income to participants and providing needed services in human service agencies, but in placing some participants in unsubsidized jobs. It has often been suggested that SCSEP be expanded because of the obvious needs of the population served. There have also been suggestions to turn it into a more formal job training and retraining program.

### Tax Credits and Training Subsidies

Employers in the private sector have been encouraged to hire disadvantaged workers through relatively new tax credits and CETA training subsidies. These programs are the targeted jobs tax credit and the private sector initiative program. The tax program provides a tax credit equal to half the first-year salary up to \$4,000 and one-fourth the second year. Under the private sector initiative program, employers hire the unemployed for on the job training and CETA pays the costs of the training and the wages of the trainees. Young workers rather than older workers have been the focus of these programs but older workers could qualify if they are below poverty line, the long term unemployed, or SSI recipients.

### V. SUMMARY OF ISSUES AND OPTIONS

Older workers age 60 and over have been steadily decreasing their labor force participation, particularly in the last decade. This is due to a number of inter-related personal, pension, and labor market influences. Both unemployment and poor health by themselves may force early involuntary retirement or combine to bring about the same result. However, it is unlikely that these two factors can be the only influences operating when general health has been improving and unemployment rates have fluctuated.

It is apparent that a number of structural factors have created some disincentives to work for the older population. These disincentives both encourage early retirement and discourage work after becoming eligible for social security and employer pensions.

### DISINCENTIVES TO EMPLOYMENT

After becoming eligible for social security old age benefits the biggest disincentive to work is the retirement or earnings test. Currently, if persons age 65

72 have earnings over \$5,000, \$1 in benefits is withheld for every \$2 earned above the limit. The limit is scheduled to increase to \$6,000 for those over 65 in 1982 and adjustments to rising wage levels thereafter. The age limit is also to be reduced to 70 after 1981.

It is generally recognized that the retirement test does act to restrict work effort and many beneficiaries who do work restrict earnings below the level when benefits are reduced. The retirement test does not apply to nonwork income, and this has been, and is, source of considerable criticism concerning the equity of penalizing income from earnings. One counterargument is that social security is not an annuity and if the retirement test were to be lifted completely, persons with high work incomes would benefit at the expense of the trust fund. While some persons with high earnings and incomes would undoubtedly benefit, other persons are working to supplement low social security benefits. They keep their earnings down below the earnings test threshold and drop out of the labor force in order to avoid having their benefits reduced. Others may resort to subterfuge in order to maintain full eligibility.

The cost and benefits of removing the earnings test are a subject of controversy. Recently, a Social Security Administration (SSA) study concluded that elimination of the retirement test for workers ages 65-69 would result in an additional \$675.6 million in payroll taxes and an extra \$977.8 million in Federal income taxes. This would offset 70 percent of the \$2.1 billion that SSA has estimated it would cost to eliminate the test and pay benefits to all eligible persons who are working. The National Retired Teachers Association and American Association of Retired Persons, in arguing for the abolishment of the test, has emphasized the resulting increased contributions to taxes, to the economy and to retirement income.

There are various alternatives to abolishing the retirement test completely. One alternative would be to encourage more part-time work and raise the earnings test still further until it is at one-half the average wage for the younger population.

It can also be argued that the current delayed retirement credit provided under social security is too weak to provide much incentive to continue to work and not claim benefits between the ages of 65 and 72. Although the credit is scheduled to increase from 1 percent per year to 3 percent per year in 1983 this is still low. The actuarially fair increase is 7 percent.

Outside of social security, retirees with private or public pensions are sometimes prohibited from engaging in work similar to that performed for the employer before retirement or have their pensions reduced or cancelled. In the Federal Government, retirees who are reemployed by the Government have their pay reduced by the full amount of the annuity received.

Reasons for allowing retirees to collect their pensions and work are to augment retirement income and contribute to the national economy. The retirement systems would not benefit financially except where additional taxes and pension contributions are applicable.

Although the Age Discrimination in Employment Act (ADEA) has recently liberalized mandatory retirement by raising the upper limit from 65 to 70, the act has been interpreted as not requiring pension accruals after normal retirement age. This freezing of accruals acts as a disincentive to work beyond normal retirement age by those covered by pension plans. Current proposals to provide accruals could be mandated to act as work incentives.

Also, retirement may still be mandated at age 70 (outside the Federal Government under ADEA) and while few persons may wish to work beyond this age, it is still seen as a limitation of a person's freedom to continue working. Others see it as a humane way to uniformly terminate older employees who have had working skills and productivity decline.

#### EMPLOYMENT INCENTIVES

Currently older workers are not given a great deal of opportunity to update their work skills, particularly in Federal employment and training programs. Under the largest program, the comprehensive employment and training (CETA) program, young workers are disproportionately enrolled compared to their representation in the eligible population and older workers have minimal participation. The senior community service employment program (SCSEP), funded under the Older Americans Act is a successful program which does not meet the universe of need. It provides about 50,000 part-time jobs in human

services for workers age 55 and over who have been chronically unemployed and are below the poverty level. One objective is to place participants in permanent, unsubsidized jobs. There are 10 applicants waiting for every opening in this program according to the Department of Labor.

A new provision in the CETA program is directed toward research and demonstration projects to provide increased training and employment opportunities for older workers. This could be utilized to explore innovative programs including alternative work patterns both in the preretirement years and after retirement.

#### OPTIONS

1. The purpose of the social security retirement or earnings test is to limit benefits for those who are not retired but still working since social security is not structured as an annuity. The test acts to restrict effort since it puts a high tax on earnings but not other income.

(a) In order to increase employment incentives for the older worker, eliminate the test. This would increase tax revenues and economic productivity as well as supplement retirement income. It, however, would also increase costs to social security.

(b) Raise the earnings test to about the same level as one-half the average income of younger workers 25-64. This would allow those who work mainly part time to supplement retirement benefits without being penalized. Average income in 1978 was \$15,000. This would also increase costs somewhat.

(c) Do not raise the earnings test. However, allow individuals over age 65, who remain in the labor force, to exclude from their taxable income the monetary value of their foregone social security benefit. This would primarily benefit those with higher earnings. While not increasing social security costs, some tax revenues would be lost.

(d) Retain the earnings test as it is now constructed. Eliminating or liberalizing the test would be costly for the OASI fund.

2. It has often been suggested that alternative work patterns are needed to encourage older workers to remain in the labor force.

(a) Encourage and develop information on alternative work patterns through research and demonstration programs in existing Federal employment programs such as CETA. Alternative work patterns are part-time employment (including job-sharing and minishifts), flexible hours of work and phased retirement.

(b) Older workers below normal retirement age should be encouraged to work in order to add to their retirement income.

(c) Older workers should not be encouraged to remain in the labor force until the numbers of young people entering the labor force begin to decline.

3. The work skills and education of older persons sometimes become obsolescent yet they constitute a small percentage of persons updating skills and education.

(a) Encourage job retraining and job redesign for older workers in private industry through tax incentives. Federal employment and training programs, and/or Federal contract requirements.

(b) Do not encourage more investment in training for older persons as it is not as cost-effective as training for younger persons because of the expectation of shorter work lives.

4. Retirees with private or public pensions are sometimes prohibited from engaging in work similar to that performed for the employer before retirement.

(a) Amend ERISA to permit at least part time work in similar trades or occupations after retirement without losing the pension. Additional work would thus be encouraged but a possible disadvantage would be increased incentive to retire.

(b) Allow present prohibitions to continue. Persons with pensions can unfairly compete with persons with no pensions.

5. Provide pension incentives now to voluntarily increase retirement ages and encourage more older Americans to remain in the work force. These would include:

(a) additional delayed retirement credits under social security after the normal retirement age.

\*These options have also been discussed in the Commission's working paper "Varieties of Retirement Ages."

(b) pension accruals after normal retirement ages in private pension plans.

6. The permissible mandatory retirement age is now 70 for public and private employers covered by the ADEA; in the Federal civil service mandatory retirement is abolished; but certain occupations may still have mandatory retirement.

(a) Abolish the upper limit of age 70 on the ADEA. The existence of any mandatory retirement age acts as a work disincentive and thus tends to increase retirement and pension costs as well as diminish the rights of those desiring work.

(b) Do not abolish the upper age limit; 70 is a reasonable limit which is needed for personnel management reasons.

#### REFERENCES

Advisory Council on Social Security. "Social Security Financing and Benefits." Washington, D.C., U.S. Department of Health, Education, and Welfare, 1979.

Bauer, Dorothy. "Older Worker Manpower Programs: A Critical Appraisal." Unpublished paper prepared for the Federal Council on Aging, 1979.

Bernard, Keith E. "Flexitime's Potential for Management." Personnel Administrator, Oct. 1977.

Bernstein, Merton C. "Social Security: America's Best Bet." Testimony before the President's Commission on Pension Policy, Washington, D.C., March 13, 1980.

Bureau of National Affairs. "ASPA-BNA Survey No. 39—Retirement Policies and Programs." BNA Pension Reporter, Feb. 4, 1980.

Copperman, Lois, Farrer; Montgomery, Douglas G.; and Keast, Fred D. "The Impact of the Age Discrimination in Employment Act Amendments of 1978 on the Private Business Community." Portland, Oreg.: Institute on Aging, Portland State University, 1979.

Copperman, Lois F. and Keast, Fred D. "In the Wake of the ADEA Amendments." Portland: Institute on Aging, Portland State University, 1980.

"EPBR Research Reports." March 1980. Chicago: Charles D. Spencer & Associates, Inc.

Federal Council on Aging. "Towards a National Policy on Older Workers: Summary of Preliminary Findings and Recommendations." Washington, D.C., Dec. 11, 1979.

Gordon, Josephine G. and Schoeplein, Robert N. "Tax Impact From Elimination of the Retirement Test." Social Security Bulletin, Sept. 1979.

Gray, Susan and Morse, Dean. "Retirement and Reengagement: Changing Work Options for Older Workers." Aging and Work, Spring 1980.

Hacking, James M. "Retirement Income in an Inflationary Era." Statement of the National Retired Teachers Association and the American Association of Retired Persons before the President's Commission on Pension Policy. Detroit, Mich., Oct. 24, 1979.

Harris, Louis & Associates, Inc. "American Attitudes Toward Retirement." New York: Johnson & Higgins, 1979.

Harris, Louis & Associates, Inc. "The Myth and Reality of Aging in America." Washington, D.C. The National Council on the Aging, Inc., 1975.

Knowles, Daniel E. "Middle Aged and Older Workers: An Industry Perspective." Unpublished paper prepared for the Federal Council on Aging, 1979.

Mathematica Policy Research. "Review of Research on Retirement Income Programs" Sec I, Washington, D.C. Employee Benefit Research Institute, 1979.

McCarthy, Maureen. "Trends in the Development of Alternative Work Plans." Personnel Administrator, October 1979.

McConnell, Stephen R. "Providing an Adequate Income for the Elderly Through Alternative Work Options" Testimony before the President's Commission on Pension Policy, Los Angeles, Calif., Feb. 26, 1980.

Meler, Elizabeth L. "Aging in America: Implications for Employment." Washington, D.C.: The National Conference on the Aging, 1976.

Meler, Elizabeth and Dittmar, Cynthia C. "Varieties of Retirement Ages." Working paper, Washington, D.C. President's Commission on Pension Policy, 1979.

Morgan, Jim. "Economic Realities of Retirement." Unpublished paper, Jan. 1980.

Morrison, Malcolm H. "The Future of Flexible Retirement." College and University Personnel Association Journal, Winter 1978

See footnote 9 on p. 152

National Retired Teachers Association—American Association of Retired Persons. Statement before the House Select Committee on Aging, Subcommittee on Retirement Income and Employment on "Social Security Long-Term Financing Issues and Raising the Retirement Age." Mar. 18, 1980.

Parnes, Herbert S. and others. "From the Middle to the Later Years: Longitudinal Studies of the Preretirement and Postretirement Experiences of Men." Columbus: Center for Human Resource Research, the Ohio State University, 1979.

Summertino, Frank. "The Demand for Older Workers in the Labor Market." In *Work, Income, and Retirement.* Report on a workshop, Washington, D.C.: U.S. Department of Health, Education, and Welfare, August 1979.

Seldman, Bert. Statement on behalf of the AFL-CIO on "Retirement Income Adequacy" before the President's Commission on Pension Policy, Washington, D.C., Jan. 1, 1980.

Sheppard, Harold L. "Research and Development Strategy on Employment-related Problems of Older Workers." Excerpted in "Retirement, Work, and Lifelong Learning." Hearing before the Senate Special Committee on Aging, Pt. 1, Washington, D.C., July 17, 1978.

"Social Security Amendments of 1977." U.S. Code, Congressional, and Administrative News, 95th Cong., 1st sess., 1977, vol. 3.

Spencer, Charles D. & Associates, Inc. "ADEA Impact on Retirement Trends Seen As Minimal to Date." EBPR Research Reports, Chicago, Ill.: Charles D. Spencer, 1979.

Towers, Perrin, Forster, & Crosby. "The End of Mandatory Retirement; Survey Results." New York: Unpublished, 1979.

U.S. Department of Labor. Employment and Training Administration. "Employment-Related Problems of Older Workers: A Research Strategy." (R. & D. Monograph 73) Washington, D.C.: U.S. Government Printing Office, 1979.

U.S. Office of Personnel Management. "Part-Time Employment and the Older Worker." Fact sheet No. 1, Washington, D.C.: June 1977.

U.S. President. "Employment and Training Report of the President." Washington, D.C.: U.S. Government Printing Office, 1978.

Walker, James W. and Lazer, Harriet L. "The End of Mandatory Retirement." New York: John Wiley & Sons, 1978.

Wertheimer, Richard F. and Zedlewski, Sheila R. "The Consequences of Changing the Mandatory Retirement Age Limit." Washington, D.C.: The Urban Institute, 1979.

Werther, William B. "Minishifts. An Alternative to Overtime." Personnel Journal, March 1976.

[Appendix]

THE AGE DISCRIMINATION IN EMPLOYMENT ACT (ADEA) SUMMARY WITH 1978 AMENDMENTS

Age discrimination in employment was prohibited by Federal law when ADEA was enacted in 1967. Initially it protected individuals 40-65 years old; 1978 amendments extended the upper age limit from 65 to 70. ADEA was initially enforced by the U.S. Department of Labor's Wage and Hour Division but was transferred by Executive order to the Equal Employment Opportunity Commission in 1979.

SCOPE

The law protects individuals 40-70 from age discrimination by:

- Private employers of 20 or more persons.
- Public employers (Federal, State, or local government units) regardless of the number of employees.
- Employment agencies serving such employers.
- Labor organizations if they operate a hiring hall or procure workers for employers, or if they have 25 or more members.

PROHIBITIONS

It is against the law for employers to discriminate because of age in:

- Hiring.
- Discharging.
- Promotion.
- Wages and salaries.
- Other conditions and privileges of employment.

## GENERAL EXCEPTIONS

The prohibitions do not apply when:

- The discharge or discipline of an individual is for a good cause.
- Age is an occupational qualification.
- Observing the terms of a pension plan or seniority system.

## MANDATORY RETIREMENT

The 1978 amendments clarified the last above exception to prohibit involuntary retirement through such pension plans or seniority system for employees under age 65 immediately. They took effect for those 65-69 on January 1, 1979, except for persons under collectively bargained plans. With regard to those plans, the effective date is the termination date of the agreement or January 1, 1980, whichever occurs first.

## FEDERAL EMPLOYEES

Mandatory retirement of Federal employees, which had been required at age 70, was abolished altogether. The Civil Service Commission is to make a study of the effect of this action.

## EXECUTIVES AND PROFESSORS—EXEMPTIONS

Executives and those in high policymaking positions entitled to a pension of at least \$27,000 per year may still be retired at age 65. Colleges and universities may retire tenured employees at age 65 until July 1, 1982.

**ITEM 2. ATLANTIC RICHFIELD CO. REPORT OF TASK FORCE ON ELIMINATION OF MANDATORY RETIREMENT AGE, SUBMITTED BY WILLIAM M. READ<sup>1</sup>**

## FOREWORD

On September 6, 1977, W. M. Read appointed a task force comprised of Messrs. Glassman, Hollingsworth, King, Lambert, Ridpath, and Young to recommend what steps should be taken to handle problems resulting from the elimination of a mandatory retirement age.

The members of the task force have had at their disposal an abundance of material that has been published since California eliminated a mandatory retirement age and Federal legislation to raise such age has been pending. It is interesting, but not surprising, that the experts have little difficulty identifying the questions—much more—supplying answers. Perhaps this is due, in part, to uncertainties created by existing legislation and its, as yet, untested interpretations and pending legislation and its status, as well as the conflicting attitudes of the diverse blocs of constituencies.

While we will comment on the general environment that provides a backdrop for our deliberations, we do not believe it was intended that we comment on the broad societal effects of the elimination of mandatory retirement age and we do not feel competent to do so. Rather, we will discuss the concerns and challenges created for Atlantic Richfield as we see them. We are not aware of any other company of our size and complexity that has not had a mandatory retirement age. Consequently, there are no guideposts to follow. On the other hand, our action gives us the opportunity and the time to test new approaches rather than having to act on a crisis basis.

It is within this framework that this report was prepared.

## SECTION I. SUMMARY OF RECOMMENDATIONS

The task force has considered the interest and/or requirements of and the probable impact of elimination of mandatory retirement age on the following constituencies: Employees; management; union; Government; and public. Its deliberations have resulted in the recommendations listed below which are discussed in greater detail in section IV.

<sup>1</sup> See statement, page 108.

1. Continue the philosophy and the policy that there should be no specified mandatory retirement age irrespective of any such age that may be specified in future legislation. (This does not apply to the Anaconda Co. which has eliminated mandatory retirement age only in those States requiring such action and which has stated its intent to follow Federal legislation elsewhere. Also certain other subsidiaries have not adopted any change of policy on mandatory retirement.)
2. Adopt a company position which would neither encourage nor discourage retirement at any specific age.
3. Continue pension benefits for retirement after age 65 at same level as for retirement at age 65.
4. Review each benefit to clarify the status and impact on post-65 employment.
5. Review personnel practices to clarify status and impact on post-65 employment.
6. Establish standards for acceptance or denial of employee requests to continue work after age 65 and develop related procedures and forms.
7. Study changes in benefits and personnel practices designed to make retirement attractive.
8. Undertake a definitive study of the ARCO work force to identify critical skills that may be in short supply.
9. Follow carefully any legislation and regulations relating to mandatory retirement.
10. Adopt uniform companywide performance review programs designed to improve career counseling and evaluation and documentation of performance.
11. Provide for effective and timely communications to supervisors on policies and practices adopted.

## SECTION II. GENERAL BACKGROUND

The following general environment provides a backdrop for our deliberations and a rationale for elimination of a mandatory retirement age.

### DEMOGRAPHICS

The work force, which has been growing at unprecedented rates since World War II, will grow more slowly during the next 15 years. Behind this slowdown is a sharp drop in the birth rate of the 1960's, resulting in fewer youths reaching working age in the 1980's. Bureau of Labor Statistics data as quoted in an article "New Labor Force Projections to 1980" from the December 1976 issue of the "Monthly Labor Review" project the labor force growing at an annual rate of 1.9 percent in the late 1970's, and 1.1 percent during the 1980's. This compares with an increase of 2.3 percent during the first half of the 1970's, thus explaining recent difficulty in reducing unemployment. Accentuating the more rapid increase of the past few years was the unprecedented entry into the labor force of primary age (25-54) women, which is not expected to increase at the same rate in the future.

The economy created over 4 million new jobs in 1977, and more than 3 million in 1976. At these levels of job creation, unemployment should soon dry up. At any rate, the data indicate that if economic growth continues at no more than in recent years, by 1990 employers may be encouraging people to work beyond age 65.

Another latent force bearing on mandatory retirement at age 65 relates to the so-called dependency ratio problem. When social security was first adopted in 1935, there were 9 to 10 adults in the labor force for each person over 65. Now the ratio is 3 to 1, and by the early 1980's, it will be 2.5 to 1. The transfer payments from workers to retirees may become politically unbearable before the end of the century. This clearly is a problem area for 20 years, but will level off when the baby boom of the late 1940's becomes the gerontological boom of the early part of the next century.

### INFLATION

Inflation has shrunk the real income of many retirees to the point that their perceived confidence in the security of private pensions is greatly diminished. Social security allowances, on the other hand, have increased somewhat more rapidly than inflation in recent years. Some companies, including many in the petroleum industry, have periodically adjusted pension allowances in partial

recognition of the ravages of inflation. But the overwhelming majority of retirees in the country rely solely upon social security, or private pension payments that are not adjusted. Undoubtedly, legislators have been impressed by mounting pressure initiated by the "gray panthers."

#### ADVANCING LIFE EXPECTANCY

Life expectancy in the United States has increased steadily and may be expected to increase in the future, primarily due to technological advances in medicine. There is considerable evidence that age 65 at the turn-of the 20th century corresponds in terms of today's life and health expectations to age 75 or 80. There is also growing evidence to demonstrate that creativity and productivity do not necessarily disappear at age 65. There are many examples of significant, if not great, accomplishments by people in their sixties and seventies. Recent studies also demonstrate that learning ability does not decline with age alone.

#### RIGHT-TO-WORK-LONGER ETHIC

The Opinion Research Corp. published a poll in September 1977, finding that 7 in 10 Americans oppose mandatory retirement. "The idea that people should be able to work as long as they want to or are able to has widespread support." Other opinion surveys clearly confirm that the overwhelming majority of Americans believe mandatory retirement to be inequitable. Compulsory retirement is difficult to justify in an era when individual rights are emphasized and broad discrimination against classes is being abolished. Fixed-age retirement undoubtedly throws healthy and vigorous people onto social welfare.

#### LEGISLATION

##### *State of California*

California has recently passed legislation that eliminates compulsory retirement at any age. Although there is some controversy regarding the interpretation of the effective date by which employers must fully comply, its full effect will apply to virtually all employers not later than 2 years from its passage.

##### *Federal*

A joint Senate and House conference committee has just agreed on the final version of a bill raising from 65 to 70 the age at which an employee can be forced to retire. The law would be effective January 1, 1979 (later for collective bargaining agreements), and passage by both Houses is expected by April 1, 1978.

#### POLITICAL ADVOCACY

Politicians have been more perceptive than businessmen in perceiving the shifting public attitudes toward mandatory retirement. Being politicians, they are undoubtedly responding to the political reality of more than 22 million potential voters over age 65 in the country, more than double the number in 1947. When proposed legislation increasing mandatory retirement age was considered in the House of Representatives last year, it passed by a margin of 359 to 4, and with little debate. The legislation passed by the California legislature also breezed through by overwhelming margins.

"Gray power" has organized rather effectively, and rallied particularly to the cause of right-to-work for the healthy. The most notable of these organizations is the American Association of Retired Persons (AARP), now 11 million strong and reputed to be growing by one member every 17 seconds.

#### POLITICAL EXPEDIENCY

In addition to the social equity and political responsiveness justification for congressional action on mandatory age legislation, there is another motivator—the social security financial problem. Lack of foresight and planning, along with problems created by the political process, have brought social security funding to an extremely critical status. Congress partially faced up to this problem by increasing future revenues to social security by recent legislation. But there will be additional relief to social security financing if more of the elderly work longer, since they will be paying into rather than withdrawing funds from social security as long as they work.

## SECTION III. ISSUES

Those issues raised by elimination of a mandatory retirement age which the task force has addressed are set forth below.

## EFFECT ON OUR OLDER EMPLOYEES

Most employees who tend to stay at work after age 65 do so because of the desire to remain active, fear of inactivity, or fear of insufficient income. However, employees now have a practical alternative to retirement.

## EFFECT ON OUR YOUNGER EMPLOYEES

As more older employees elect to stay at work beyond age 65, fewer opportunities for career advancement will be available to younger employees. This fact may cause the better ones to leave and make it more difficult to recruit replacements.

## EFFECT ON THE EMPLOYMENT AND UPGRADING OF MINORITIES AND FEMALES

If fewer job opportunities are available, there could be a slowing in the rate of employment and upgrading of minorities and females. The existence of fewer job opportunities with continued emphasis on minority and female employment may result in louder and more persistent cries of reverse discrimination by others.

## EFFECT ON ABILITY TO AVOID CHARGES OF AGE DISCRIMINATION

The elimination of an upper age to delineate the-protected class significantly increases the probability of claims of age discrimination and reduces our ability to deal with such claims effectively--particularly absent a valid and uniform performance evaluation program.

## EFFECT ON MANPOWER PLANNING

Mandatory retirement has been a major contributor to turnover. Although we could not plan on employees staying to 65, we could plan on them leaving at 65. Our forecasts of future requirements, never really accurate, will be less so. Definition of recruitment needs and replacement potentials will suffer. Depending upon policies adopted, we could lose competent people to others, but we may be able to attract competent people from others.

## EFFECT ON MANAGEMENT ATTITUDES AND ORGANIZATIONAL EFFECTIVENESS

The ability of the company to compete and to grow depends on the effectiveness and motivation of management. Management effectiveness can be impacted adversely under a policy of no mandatory retirement age by a number of factors. Among such factors are retention of marginal performers past normal retirement age, reduced opportunities for advancement of competent lower level managers, and the possibility of loss to others of high potential employees. Control of professional and managerial obsolescence could become a problem.

Conversely, the new policy will permit retention of experienced individuals and place emphasis on competence and performance rather than on arbitrary age groups.

## EFFECT OF LEGISLATION, REGULATIONS, AND RELATED INTERPRETATIONS

Elimination of mandatory retirement age puts ARCO in the vanguard of U.S. industry, which for the most part seems to be taking a wait and see attitude--even in California. This provides us with an opportunity to address the problems on the basis of the position we feel will eventually become public policy. In the interim, we are lonely and we must address the issue so as not to provide a fertile source of high potential candidates for other companies.

## EFFECT ON UNIONS

To date, most unions representing our employees have declined to embrace our change of policy with open arms. Federal legislation will give them a national alternative. We may well have to treat represented and nonrepresented employees

differently with the problems attendant upon such circumstance. Ultimate union positions on mandatory retirement policy and related benefit levels will have to be faced.

#### EFFECT ON/OF GOVERNMENTS

Certain present government requirements and expectations based on existence of a mandatory retirement age may be unrealistic under a policy that specifies no such age, i.e., equal opportunity goals and employment of the young and inexperienced. Governments, too, will be faced with conflicting objectives and priorities and the period of adjustment may be difficult to live with.

#### EFFECT ON THE PUBLIC

Our public posture, implied or explicitly stated by company executives in material published for external consumption, and through our announced adoption of the present policy on mandatory retirement suggests that to maintain credibility, we should endeavor to match our actions to our words.

#### EFFECT ON WAGES AND BENEFITS

Finally, the actions we have already taken and those that we may take could have significant influence on our wage and benefit programs and their costs. Likewise, the application of wages and benefits can have a significant impact on our ability to meet other personnel objectives.

### SECTION IV, RECOMMENDATIONS

In the short run, we probably will not have many employees opting to stay beyond age 65. (Since our announcement of elimination of age 65 retirement age, less than a dozen employees have applied to continue work after 65.) The initial cost and problems of administering our announced policy and complying with legislation should not severely tax our finances or ingenuity. Within a few years, a number of developments (discussed in section II) may occur which could lead to increasing numbers of employees working beyond age 65.

Our recommendations, therefore, are based on the premise that the number of people working beyond age 65 will increase over the years. Thus, it becomes essential that we address some of the long-term issues now while our problems are minimal and the opportunity exists to upgrade the quality of our work force. We need to develop selective-options to respond to our various constituencies and to unique individual differences and desires, to minimize legal confrontations, to preserve human dignity, and yet maintain the vitality of the organization.

The following recommendations, summarized previously, are designed to address those oftentimes conflicting objectives:

1. Continue with the concept that we should adopt no specified mandatory retirement age. Although not the most conservative concept that could be adopted, we believe this concept will eventually become public policy. It is in our interest to learn how to deal with it while the problems it might create are minimal. To establish a different mandatory retirement age (such as appears in present Federal legislation) probably will only cause us to face similar problems at a later date. Furthermore, this concept negates any concerns that may arise because of different statutory provisions of the various States in which we operate, particularly if such provisions are not preempted by Federal legislation. Lastly, there is no compelling social, physical, or economic argument that makes one mandatory retirement age better than another.
2. Adopt a company posture neither encouraging nor discouraging retirement at any given age. Although certain policies, benefits, or procedures will be viewed as either encouraging or discouraging retirement at a specific age, if conceived and communicated adroitly, they can tend to balance out. We believe it is in the company's interest to maintain an overall neutral policy posture, recognizing we may wish to encourage some individuals to retire and others to continue working.
3. Continue pension benefits for retirement after age 65 at same level as for retirement at age 65. Future legislation and/or union pressures may require different action and studies should be undertaken to determine alternative courses and related costs. In the meantime, retention on the payroll provides in-

centive to those who wish to avoid the inroads of inflation without reducing ultimate retirement benefits. At the same time, retention of the same level of pension benefits after age 65 provides an inducement to retire at or before 65.

4. Review each benefit to clarify the status and impact on post-65 employment. Considering legal requirements, union pressures, and objectives stated elsewhere in this report, the status and impact of post-65 employment on each benefit should be clarified. This would include insurance plans, retirement plan, thrift plan, and paid absence plans. (Includes employees working beyond age 65, those retired and rehired after 65, and those hired after 65.)

5. Review personnel practices to clarify status and impact on post 65 employment. Within legal and other related constraints, we should address merit and other salary practices, consideration for promotional opportunities, the rehiring of retirees, either as employees or consultants, and the hiring of individuals retired by others.

6. Establish standards for acceptance or denial of employee requests to continue work after age 65 (in line with current company policy) and develop related procedures/forms. We need to set uniform physical/performance standards to be used as a basis for accepting or denying employee requests to continue work. In anticipation of Federal legislation becoming effective January 1, 1979, the subject procedures should be reviewed for compliance with such legislation.

7. Study changes in benefits and personnel practices designed to make retirement attractive. There are two major reasons why employees may not elect to retire. One is financial, including fear of living on a fixed income in an inflationary economy. The other is fear of inactivity, loss of status, and other characteristics or psychological insecurity.

The level of our pension benefits is such that retirement at or before age 65 can be attractive in the short term. However, in the long term, the loss of purchasing power due to inflation is a deterrent. Also, both Government and unions will probably apply pressure for post-age-65 benefits. We should therefore initiate studies of a number of actions designed to help offset inflation after retirement:

    Retirement allowance cost-of-living inflator.

    Financial supplements to encourage severance where desirable (the 1978 special termination plans are illustrative).

    Continuation of insurance benefits with special emphasis on medical insurance.

    Payment of part or all of costs of physical examinations.

It should be recognized that actions that make retirement more attractive generally will be counterproductive to our inevitable desire to encourage certain employees with critical skills to remain at work. It may prove advisable, therefore, to place emphasis on selective incentives such as the special termination plans wherein management discretion is maximized, rather than on broad improvements to retirement benefits.

To aid employees to make the transition to retirement and thus lead to greater acceptance of retirement as a new phase of life, a program of gradual retirement might include any or all of the following:

    Reduced hours and/or job responsibilities.

    Leaves, sabbaticals, longer vacations.

    Special work assignments including community service.

To further reduce anxiety about inactivity and disuse of talent after retirement, some actions might be taken to foster continued use of time and talents to the benefit of the company as well as the individual:

    Provide counseling service and educational assistance for second careers.

    Provide outplacement services.

    Make use of retirees as consultants to supplement the regular work force on special studies and/or projects.

8. Undertake a definitive study of the ARCO work force to identify critical skills that may be in short supply. It is anticipated that elimination of mandatory retirement will result in a minimal but sustained decrease in our recruiting requirements in the foreseeable future (less than 2 percent through 1982). However, demographics of our work force may reveal problems or opportunities not discernible with data presently available.

9. Follow carefully the passage of legislation and issuance of regulations relating to mandatory retirement. Future Government actions may indicate the

need to change direction, i.e., eliminate the right to maintain benefits at age 65 levels, requirements for special written notifications to employees, etc. Additionally, once retirement age is changed at the Federal level, Congress could begin tinkering with the Social Security Act and ERISA. The age at which full social security benefits are payable could be raised. All of these possibilities could impact the number of employees electing to work after 65. Various States have permitted our employees retiring at 65 to collect unemployment compensation—and we have not contested such claims. What position those States will now take absent a mandatory retirement age is speculative and should be explored. Our position on contesting claims should then be reexamined.

10. Adopt companywide effective performance review programs. If we are to maintain the vitality of the work force, it is essential to evaluate and document performance throughout an employee's career so that appropriate action can be taken on a timely basis without regard for age. The elimination of a mandatory retirement age underscores the importance of this action. We feel the caliber and consistency of our program will be a major factor in justifying personnel actions.

11. Provide effective and timely communications to supervisors. The extent to which the company's action in this matter corresponds to its policy statements rests largely in the hands of our supervisors. It follows that a well-informed supervisory force motivated to carry out company policy is our best insurance of effective results and our best defense against attacks on the policy itself or its application in individual cases.

**ITEM 3. "A NEW LOOK AT RETIREMENT AND PERSONNEL POLICIES FOR THE EIGHTIES," STATEMENT OF MALCOLM H. MORRISON, PH. D., JOHNS HOPKINS UNIVERSITY, BALTIMORE, MD., PRESENTED AT THE CITY UNIVERSITY OF NEW YORK GRADUATE CENTER**

**ABSTRACT**

Throughout the world the growth of the aged population continues to be accompanied by the trend of early retirement. However the rapidly escalating costs of public and private pension systems, the continuing pattern of high rates of inflation and increasing social awareness have resulted in numerous proposals for increasing the development and implementation of flexible retirement options for older workers. These alternatives permit greater individual choice as to the time and degree of retirement and sometimes provide extended employment options for older workers. It is likely that flexible retirement will increase in the future in response to changing social and economic circumstances. This presentation discusses the emergence of alternative work patterns, outlines policies and programs which emphasize flexible retirement options, examines response by governments and employers and older persons, and suggests further research to identify flexible worklife alternatives for older persons.

**INTRODUCTION**

Over the past 40 years retirement institutions and policies have developed in an ad hoc, uncoordinated manner resulting in current patterns of retirement behavior. The most fundamental aspect of these patterns is increasing early retirement throughout the labor force. Because of the general aging of the work force, this retirement pattern is resulting in rapidly increasing pension costs which will rise even higher because of adjustments required to meet the costs of inflation. Low fertility and improved mortality will reduce the ratio of working age persons to retirement age persons by a factor of two over the next 40 years. Thus, if present trends continue, there will be significantly fewer workers available to pay the increasing costs of retirement benefits for an enlarging older population.

Because of these trends, it is very likely that the current institution of retirement and the policies and programs which support it will undergo significant change in the years ahead. It certainly is unlikely that policymakers will accept the projected large increase in the proportion of the Government budget allocated to retirement payments, without consideration of alternatives to reduce the growth of this allocation. A continuation of current retirement policies will result in very serious economic and social consequences for our

society. The continuous increase in the proportion of persons no longer working can be viewed as both undesirable and dysfunctional. The combination of demographic changes, high rates of inflation, efforts to control rising retirement benefit costs, the early retirement trend and the consequences of current pension system functioning, however, will result in significant changes in retirement policies and programs in the years ahead.

In addition to the key policy areas regarding level of earnings replacement from public and private pensions, adjustment of benefits for inflation, financing alternatives, and coordination of retirement systems, a particularly important concern of public policy now emerging is the extent to which older persons can choose to allocate their time between employment and leisure. That is, how should retirement policy be designed in order to provide opportunities for part time employment with partial retirement, to allow for a transition between full-time work and full retirement? This question raises the most important underlying issue regarding the future of retirement policy: What should be our long-run goals for the future of retirement in the United States?

While it is clear that we do not at present have one relatively uniform national retirement policy, it is also evident that most of our present uncoordinated policies result in the major trend of early retirement. This trend is beginning to be perceived as dysfunctional mainly because of increasing pension costs. Of course, it may also be dysfunctional because it limits the human potential of millions of persons who could contribute to productivity if provided with the opportunity. To a considerable extent, current retirement behavior reflects the incentives provided by current policies. These may be based on the perceived need to remove older workers from the labor force in order to make room for younger and middle-aged employees. It is clear that we are approaching the limit of marginal utility for such policies. Every person who retires requires support from the remaining work force. As the tax burden for this support increases, workers suffer reductions in quality of life. Current economic conditions of inflation and declining productivity further reduce quality of life and lower expectations for future growth and accompanying economic and social benefits.

A major question that confronts our society is whether we will consciously act to develop and implement a retirement policy which emphasizes more balance in utilizing the capacities of the available work force, or continue our present approach of reacting to limited aspects of the problem with stopgap measures designed to temporarily remedy the most immediate problems. Thus far, the reactive approach has led only to proposals for shifting the financial burden of retirement support from reliance on one method of taxation to another. Such measures, of course, will not resolve the growing financial crisis and are based primarily on acceptance of current retirement policies. A more comprehensive analysis of our emerging retirement crisis demonstrates that dealing only with the income support aspects of the problem will not alter the basic dilemma—the appropriate utilization of human capital. In order to create a new retirement future, the issue of encouraging the employment of older workers must be satisfactorily resolved. National policies must, therefore, be devised to:

- A. Modify public pension systems to provide for partial retirement options.
- B. Encourage the utilization of pension system incentives for developing transitional retirement programs for employees.
- C. Encourage employers to adopt personnel policies permitting greater flexibility for older workers.
- D. Create more balance in the sharing of income support for the retired.
- E. Encourage the development of programs which involve flexible work life approaches which are not based on the traditional linear life plan of education, work, and retirement.

#### • FLEXIBLE DISTRIBUTION OF WORK, EDUCATION, AND LEISURE

Over the past 75 years, industrialization accompanied by significant economic growth has resulted in a substantial reduction in the proportion of time spent at work. For the most part, this reduction has resulted from a substantial decline in weekly hours worked. In fact, the average U.S. workweek has declined from approximately 60 to 39 hours over the past century. Over the last 40 years, however, the workweek has remained quite stable and most of the reduction in working time has been in the form of vacations and holidays. In addition:

the growth of nonwork time has expanded to encompass increased periods of schooling (usually early in life) and retirement during the later years of life. The result of these patterns has been the development of the linear life pattern—going to school in youth, working during middle years, and retiring in old age. To some extent this pattern of life scheduling can be viewed as a result of the natural requirements of the life cycle and a response to conditions of industrialization. However, it appears that the emergence of the linear life pattern is primarily the result of expansion of nonwork time and competition for work between age groups. To a considerable degree, the compression of work activity primarily into midlife is the result of factors of advanced industrialization which have resulted in job shortages and the creation of policies to preserve job opportunities for persons in the middle of the life cycle.

The current linear life pattern may, in fact, be dysfunctional for several working age groups, young, middle-aged, and old—who must share the available job opportunities. Of course, the basic shortage of jobs in the United States continues to result in serious employment problems for youth and older workers who are most seriously affected by the linear life approach. Of course, the availability of employment for older workers is severely constrained by early retirement policies and the lack of presumably sufficient pension benefits. In addition, serious negative attitudinal barriers influence employer hiring and job retention policies neither of which are structured to benefit older workers.

Several serious problems now exist coincidentally with the strong linear life pattern. Among these are (1) Severe competition for jobs by members of the post-war age cohorts, trained minority group job seekers, and women labor force reentrants; (2) continuing job shortages; and (3) increasing desire of all age groups for job equality despite present inequities. If the current linear pattern of distribution of work, education, and leisure continues, the above-mentioned problems are likely to increase in intensity with the likely exacerbation of problems of youth and older workers. The various inequities in work distribution related to the linear life pattern are already resulting in a growing support burden (particularly for retired and disabled workers) on the remaining work force. The retention or enhancement of the present regularized linear, education-work-retirement pattern with extensions of periods of nonwork will result in even higher support costs for workers and increase tensions between groups of workers. A pattern involving more flexible distribution of education, work, and leisure which would redistribute the extended periods of nonworktime now spent in youth and older age to the middle years of life (for pursuing education, leisure, or part-time employment) is a reasonable response to the dysfunctional aspects of the current linear life pattern.

There are indications that such a nonlinear pattern would meet with support from various types of workers, especially students, women, and older workers who could most benefit by implementation of alternative work patterns. Studies by Best and Stern (1977) also indicate that prime-age workers also prefer additional flexibility in work scheduling with the most popular approach being a modified cyclic life pattern with extended periods of free time in midlife and tapered or phased retirement.

While in principle many workers appear ready to alter the current rigid worklife patterns, there is no general agreement as to the best approaches to take in creating more flexible worklife options. Recommendations include approaches to redistribution of work (shorter workweeks, job sharing, part-time employment, public service jobs, shift-time compensation programs, flexible retirement programs, etc.), leisure (extending vacation time, more liberal leave of absence provisions, flexible retirement programs), and education (voucher plans, paid or unpaid educational leave, work sabbaticals, utilization of unemployment insurance to support education and training). Obviously these proposals are not mutually exclusive, a change in one area will affect a change in the others.

Many of the above policies do not enjoy any real measure of public support particularly from organized labor interests who fear that such piecemeal redistributive steps might be harmful to full-time regular employees and might be utilized by business firms to reduce employment and/or fringe benefits. In addition, while the idea of providing more flexibility in worklife through a more equitable distribution of work, leisure, and education between young, middle-aged and older workers, is appealing, the development of a national policy to restructure and redistribute employment opportunity is quite unlikely. Fortunately, however there is far less opposition to the creation of modified worklife patterns for older employees many of whom wish to retain some connection to employment

## RETIREMENT PATTERNS

The gradual institutionalization of retirement has resulted in making retirement policy an issue of major national concern. Attention is now focused on the problems of maintaining the financial stability of the social security system, regulating the provision of private pension benefits (Employee Retirement Income Security Act) and ensuring the right to employment for older workers (Age Discrimination in Employment Act). Recent legislation—Age Discrimination in Employment Act Amendments of 1978—prohibiting mandatory retirement before age 70 for most private sector employees, has served to intensify concern with labor force participation by present and future cohorts of older workers. The changing composition of the U.S. work force and the influence of this new legislation are being widely discussed with relation to adjustments in corporate personnel and pension policies. Despite the continued prevalence of the early retirement trend there are a number of factors which are likely to result in later retirement for a growing proportion of the older work force in the years ahead. Among the most important of these are the gradual aging of the population and work force, longer life expectancy, and the concomitant increasing financial support burden for a growing older population.

In most countries with mature pension systems, the continuous aging of the population accompanied by increasingly earlier retirement by many workers is already resulting in serious economic pressure on shrinking work forces to finance growing retirement benefit payments. Over the past 20 years most industrialized countries have introduced a variety of so-called flexible retirement provisions in public pension systems. Almost all of these policies allow for early retirement before the normal retirement age in order to provide benefits to workers who have had hazardous employment, suffer health problems, or prolonged unemployment. Such early retirement policies have been based on the presumed need to provide job opportunities for younger labor force entrants. They, of course, demonstrate one aspect of the linear life pattern approach—extending the period of retirement. Continuation of the trend of lowered retirement age will increase the financing problems of pension systems. Some have predicted that this will result in a slowing of the early retirement trend as more experimentation with later retirement takes place.

Thus far few countries have responded to this problem by developing flexible public retirement pension policies which encourage continued employment of older workers, nor have many business and governmental organizations developed pension and personnel policies which reflect this objective.

Due to the relatively recent recognition of the problems of aging work forces the concept of flexible retirement has not as yet been clearly defined nor relevant policy options identified. In fact, the amount of research and experimentation conducted thus far has been quite limited. There remain many unanswered questions where empirical research data are lacking. We do not, for example, have comprehensive data on United States or foreign firms providing flexible retirement options, nor do we know how many employees have access to or would take advantage of such options if they were available. We have only limited information on the potential response of U.S. workers to the legislation raising the age for mandatory retirement to 65. Furthermore, there has been little if any policy analysis in the area of creating more flexibility through modification of public and private pension policies. Obtaining answers to these questions will require substantial research effort. Some initial research on age discrimination, involuntary retirement, and part-time employment opportunities is under way but the development of public retirement policy and corporate personnel and pension policy to expand flexible retirement options will require more focused research studies which examine both institutional policies and individual preferences.

Despite these informational limitations it is useful to review recent evidence concerning the preferred form of labor force participation by older workers. Examine various flexible retirement policies and programs now functioning and suggest how management can best prepare organizations for adapting to the upcoming aging of the work force.

## OLDER EMPLOYEE PREFERENCES

Evidence has demonstrated that while increasing numbers of older employees are choosing early retirement, many older individuals may desire to continue to work on a part-time basis. While the early retirement trend is clearly predominant

tant, there is some question as to whether the expressed part-time employment preferences of older employees are being actualized through employment. Evidence suggests that although more older persons wish to work part-time many cannot locate such employment. They either retire completely, lose their jobs and experience great difficulty in finding subsequent employment, or (in a small number of cases) continue to work full time. While some have speculated that raising the age for mandatory retirement, increasing social security benefits if retirement is delayed and worsening economic conditions will lead to increased part-time employment of older workers, the emergence of such a trend is far from certain. Early studies of the consequences of a higher mandatory retirement age indicate that the early retirement trend is continuing unabated.

One possible approach to limiting or at a minimum spreading out the cost of future retirement payments would involve a shift of the traditional full retire pattern toward transitional or phased retirement where older workers might gradually reduce working hours over a period of years before becoming fully retired. Such an approach might be coupled with the development of a partial pension system which could supplement wages earned from part-time employment with partial pension payments. Both of these approaches, of course, represent a substantial departure from current policy and are more complex than such adjustments as raising the minimum age for receipt of social security benefits or shifting the financing of retirement payments from payroll to general revenue taxes. Yet, adjusting the linear life plan to create retirement flexibility would be a far more significant reform which could clearly benefit millions of middle-aged and older employees and avoid the economy in adjusting to fewer younger labor force entrants in the years ahead. Movement in the direction of flexible retirement programs requires that older workers be provided with opportunities and incentives to stay in the labor force. Any significant modification of the early retirement trend will involve: (a) The actual availability of older employees for employment at least on a part time basis; (b) the provision of incentives for continued employment through public (and possibly private) pension systems; and (c) provision of flexible work arrangements by employers.

#### PART TIME EMPLOYMENT

Since most older persons probably leave their full-time jobs because of mandatory retirement and economic reasons such as pension eligibility (as well as declining health), the crucial question is whether they are interested in continued employment on a full or part time basis. Unfortunately, clear research evidence on this question is lacking. Of particular importance is the lack of data as to the proportion of older persons who leave the labor force and do not in fact desire work of any type.

Studies now in progress are beginning to investigate the preference of older employees for continued employment on a part time basis. Far more research is necessary in this area in order to identify the actual preferences of upcoming cohorts of older workers.

At present about 14 percent of all nonagricultural wage and salary employees (11 million workers) work part time by choice in the United States. Only 5 percent of such workers are 65 years of age or over. Among all older persons working part time (whether by choice or not), however, nearly 50 percent are voluntarily employed part time, the highest percentage of any age group. Of persons over age 60 and not in the labor force but desiring employment, half perceive that employers will consider them too old and an additional 25 percent think there are no jobs available. Thus nearly 80 percent of persons who desire employment believe they cannot get a job and presumably reduce their job search activities. Of course, these beliefs are in fact supported by mandatory retirement policies and negative stereotypes of older employees held by employers.

The clearest indication of older worker preferences comes from national opinion surveys conducted by Louis Harris & Associates in 1971 and 1973.

The results indicate that: (a) Large majorities of current and retired employees and business leaders are opposed to any mandatory retirement age; (b) about half of all current employees say they would prefer to work either full- or part-time as an alternative to retirement; (c) about half of current retirees say they would prefer to be working and (d) most older workers still plan to retire between ages 60-65. These preferences imply that while workers apparently intend to retire initially a significant number anticipate a subsequent return to work. While these preferences cannot be assumed to reflect

actual behavior, they indicate a significant desire by current and retired workers for flexible employment opportunities.

Despite the seemingly irreversible trend toward early retirement, several recent developments in the United States and abroad suggest that retirement policies may gradually be modified to encourage and accommodate more flexible retirement. In some countries (mainly in Europe), public pension systems are being modified to provide increments in final pension benefits and establish partial pension programs that allow a gradual transition to retirement. In a few instances (particularly in the United States), private pension coverage has been extended beyond the usual retirement age by business firms. Such inducements to remain employed are likely to become more prevalent as the cost of supporting an increasing retired population rises. Decisions to remain employed at least part time are likely to increase due to the interaction of individual preferences and wider employment opportunities. Public pension policy may also be further modified to provide additional inducements to stay in the labor force through an increase in the age of eligibility for receipt of benefits or the establishment of a partial pension option for older workers who wish to work part time.

#### Flexible Retirement Options

In order to develop options for flexibility work opportunities for older persons, experimentation with a variety of approaches is desirable. Programs can be introduced easily by employers and unions without disrupting existing employment practices and yet represent real options for older employees. Of course, such options should not be introduced without giving careful consideration to effects on employee benefit programs and personnel policies. It is important to recognize that since major public pension policy changes are unlikely in the near term, developments in flexible retirement options will be more influenced by negotiations in personnel and private pension plan policies than by government regulatory requirements.

Four major retirement options can be suggested as providing a meaningful approach to flexibility. Early retirement, retirement at the normal age when full benefits are available from public and/or private pension systems, transitional or phased retirement involving a period of permanent part time work before full retirement, and a continuation of employment (full or part time) beyond the regular retirement age.

#### Personnel and Pension Policies

Throughout the world business organizations have generally taken the lead in developing flexible retirement approaches. While the current level of development can only be considered experimental, these policies and programs serve as models for future expansion and modification. In the United States, for example, the results of recent surveys of employers demonstrate that employers are in the process of initiating changes in personnel and pension policies which may introduce more flexibility in the retirement process.

In a national mail survey of 1,930 firms and a telephone survey of 278 larger (more than 500 employees) firms contacted in the spring of 1979, Capersman, Montgomery, & Kent (1979) reported that between 50 to 60 percent of firms permitted pension benefit accruals after the normal retirement age for workers continuing employment. This may not be a general pattern in industry. Furthermore, despite the availability of such benefit accruals, very few employees remain employed beyond the normal retirement age in pension plans and thus few utilize this option. They further found that about 11 percent of all firms had or were implementing flexible work hours (flexitime) programs, 17 percent had permanent part time employment programs, and 5 percent had phased retirement programs. Overall, 15 percent of all employers surveyed had or were implementing some type of alternative work schedule policies. It is important to note that while most employers expected a small number of their employees to continue to work past the age of 65 in response to the new ADPA age-70 mandatory retirement age, 31 percent of the employers expected that such continued employment would be quite minimal. It is interesting to note, however, that when queried about potential effects of continued inflation on retirement behavior of employees, 23 percent of all firms expect that more employees will forego early retirement and 48 percent expect that more employees will wish to continue working past the normal retirement age.

2. Similar findings resulted in a survey conducted in August 1979, by the Bureau of National Affairs. A total of 267 medium to large size organizations were surveyed about retirement policies and programs. This study indicated that 15 percent of the employers had established some type of phased retirement program for all employees or specific groups of employees. In addition, 52 percent of all firms use retirees as consultants and 62 percent may recall retired employees to work for short time periods. Again in this survey most firms (86 percent) report no or very little effect of the change in the mandatory retirement age. The study suggests that the reason for this is that thus far few employees have actually been affected by the change. However, about 20 percent of the firms have experienced an increase in the number of workers staying on beyond the normal retirement age. Finally, almost 30 percent had made changes in their retirement programs over the last 2 years, and an additional 32 percent expect to make changes in the near future. Modifications most frequently involve improved income benefits for retirees, medical insurance, life insurance, etc., and development of retirement preparation programs, which more and more firms cite as important to develop and implement.

The studies conducted thus far have not been representative of all U.S. employees and have not investigated employee plans, attitudes, and behavior in responding to the new mandatory retirement age changes in social security law and continuing inflation. The major national study of age discrimination and involuntary retirement now being conducted by the U.S. Department of Labor (1980) will establish definitive baseline information on a unique linked nationally representative sample of 6,000 employees and their employers. The results of this study will, therefore, provide the most definitive information on current and planned employer personnel and pension policies and employee plans and preferences regarding retirement. While it is unlikely that this study's major findings will significantly differ from the surveys reported above, the amount of detailed information developed will be far greater and the basis for assessing changes over time in employer policies and employee preferences and actual retirement behavior will be established.

The major methods now used by U.S. employers to provide flexible retirement options include: (1) Reduced workweek schedules (4 day or 3 day week) prior to retirement; (2) extra vacation time in years prior to retirement; (3) reduced hours of work; (4) job transfer programs; (5) employee consultants; (6) temporary part time work for retired employees; (7) payroll transfer programs rehiring an older employee through a private employment service. Flexible retirement programs developed in Europe include: Special job allotments for older workers, job redesign, and special unemployment allowances in West Germany; various work hour reduction programs in France (including days off per week, extra vacation time and paid leave); establishing older worker quotas with government subsidies for hiring and extended unemployment benefits in Japan; and other innovations such as mobility allowances, retraining programs and specialized employment services utilized particularly in Scandinavia and West Germany. Some of these types of programs are beginning to be experimented with in the United States such as reduced work hours approaches, while others, including job allotments, retraining and mobility allowances, government subsidies and specialized employment services have received little attention. To a considerable extent, the persuasiveness of the early retirement total coupled with severe youth unemployment difficulties has resulted in only limited U.S. government attention to the problems of older workers. However, the increasing aging of the population, accompanied by dramatic increases in retirement support costs, could ultimately result in a gradual reallocation of employment and training resources toward middle aged and older workers.

#### CONCLUSION

In the United States and abroad the aging of populations has been accompanied by a major trend toward early retirement. Now however various flexible retirement approaches are being designed and in some cases implemented. Generally, these allow for increased choice as to the type of retirement and provide for various forms of continued employment for older workers.

In the United States approaches by business, government and educational institutions include eliminating a mandatory retirement age and establishing specialized programs such as part time employment, payroll transfer, reduced work hours, and retirement assistance. In Europe innovations such as mobility

allowances, employer subsidies, retraining, older worker quota systems, specialized employment services, and phased-retirement programs are in use. In both the United States and Europe, some forms of flexible retirement (usually early retirement) are mandated by public pension programs.

These recent initiatives represent the beginning of an overall adjustment to changing demographic trends and economic conditions. In the future, larger numbers of older persons will be in good health and interested in continuing in some form of employment. Though the supply of such workers is likely to increase gradually at first, as time passes more will desire to continue employment. Moreover, as pension costs continue to escalate, public policies are likely to mandate a later retirement age to reduce economic burdens on younger workers and to finance retirement pension payments.

All these developments require that much more attention be devoted to examining new work arrangements for older persons, including part-time work, job sharing, partial retirement, midlife sabbaticals, job adjustment, ~~training~~, and ~~retraining~~—all potentially useful personnel practices for older workers. To implement any of the programs in a particular organizational setting, a review of work force characteristics and current personnel and pension policies is usually necessary. Requisite to successful implementation of flexible retirement policies is an accommodation to the employers' needs, the employees' preferences, and the particular work environment characteristics of the organization.

**ITEM 4 MASSACHUSETTS DEPARTMENT OF ELDER AFFAIRS POLICY PAPER ON OLDER WORKER EMPLOYMENT, SUBMITTED BY THOMAS H. D. MAHONEY**

The Department of Elder Affairs is pleased to issue the following "Policy Paper on Older Worker Employment." This policy paper, which has been in preparation over the past year, is the product of a collaborative effort between department staff and agencies and organizations associated with the Older Worker Employment Network (OWEN). Although the department has been engaged in employment related activities for a number of years, this policy paper represents an increased commitment to the employment needs of older people in Massachusetts.

The policy paper indicates 13 areas in which the department intends to take action during the next few years. Initiatives have already begun in many of these areas. The department cannot accomplish the tasks set forth in this policy paper by itself. We ask that all organizations, agencies, and individuals who are concerned with the needs of older workers, to cooperate with us to make this policy paper a reality. We welcome your suggestions, your comments and above all, your help.

March 1980

**POLICY PAPER ON OLDER WORKER EMPLOYMENT**

The Massachusetts Department of Elder Affairs, in issuing the following policy paper, takes official recognition of the importance of its role in the development of employment and training opportunities for older workers throughout the Commonwealth. The department, in giving high priority to this issue, commits itself to act as an advocate for older workers, and pledges to support this effort by the allocation of its staff resources assigned to the employment program and other resources as appropriate.

In keeping with its legislative mandate (MGLA ch. 19A s. 1) to act as an advocate on behalf of older people (those 55 and older), and especially the legislative recommendation that DEA employ 25 percent older people (MGLA ch. 19A s. 8), the department will recommend to the Governor and the State Office of Affirmative Action that there be special emphasis placed on the employment of older persons in State government and State funded programs. Therefore the department will work with these agencies to assist them in developing policies and procedures that are sensitive to the employment needs of older workers.

Recent studies by Branch, Harris<sup>1</sup> and the National Commission for Manpower Policy,<sup>2</sup> have indicated that increasing numbers of people over age 55 will

<sup>1</sup> Branch, Laurence G. "Boston Elders: A Survey of Needs," City of Boston Commission on Affairs of the Elderly, Boston 1978.

<sup>2</sup> Louis Harris and Associates, "1979 Study of American Attitudes toward Pensions and Retirement," Johnson and Higgins, New York 1979.

<sup>3</sup> Morse, Dean, "The Utilization of Older Workers," National Commission for Manpower Policy, special report No. 23, Washington DC, March 1979.

be entering, reentering, or remaining in the labor market. In this era of continuing inflation, many older people no longer have a choice: they must seek additional sources of income. In addition to economic necessity, many older people find that working is necessary to their own inner well being: they have the abilities and these must be put to use. The skills and experience of the older workers of Massachusetts represent an invaluable human resource that should not be wasted. By engaging in fruitful activity, older workers will remain happier and healthier, and prove to be a source of psychological well being within the Commonwealth.

Older workers comprise a heterogeneous population. They consist, in part, of older women who are entering or returning to the paid labor force, including displaced homemakers. There are other people in their fifties and sixties who have lost their jobs because of layoffs and plant closings, or in some cases, age discrimination. Many of these people have obsolete skills and may need retraining, vocational counseling, and special assistance in finding new fields of employment. Finally, Brunch and Harris indicate that 25 percent to 50 percent of those people who have retired voluntarily, or who have been forced to retire, now find that they want to return to work on a less than full time basis.

There still exists in our society a pervasive attitude of age discrimination. Many employers in both the private and the public sectors feel that, because older workers have reached a certain age, they are no longer competent. The Department of Elder Affairs is committed to combat this attitude and its resulting discrimination. In the field of employment this means we shall advocate negatively for the hiring of older workers as well as for the extension of the working years beyond the "normal" retirement age. While the department strongly supports the enforcement of the 1978 amendments to the Age Discrimination in Employment Act that makes it illegal to discriminate in hiring up to the age of 70, we believe that there should be no age at which workers should be mandatorily retired; all people should have the right to work as long as they can perform their job.

Since many older workers desire to work less than full time, there is also a need to develop alternative working arrangements such as part-time work, shared jobs, and flexible working hours. Many older workers, when they do obtain jobs, find themselves in positions that are below their skill levels and capacities. Thus, it is important to develop meaningful employment opportunities, with growth potential, for those older workers who want challenging work. Finally, many older workers, either individually or collectively, may want to start their own businesses which capitalize on their existing skills and expertise.

The Department of Elder Affairs has already demonstrated a commitment to the field of older worker employment. We have sponsored a senior aide program since 1974, which now employs over 200 people over the age of 55. Since 1973, the department has also sponsored the Elder Service Corps, a suspended volunteer program utilizing the services of over 200 people over the age of 60. During the past year, the department has supported the development of the Older Worker Employment Network, an organization consisting of over 60 agencies and individuals that provide employment and training services to older workers.

With this policy paper the Department of Elder Affairs is pledging itself to an increased commitment to advocate for and with the older workers of the Commonwealth. Accordingly, we will take the following action steps:

(1) The Department of Elder Affairs will expand its advocacy efforts on behalf of older workers to private industry and assist these companies in the recruitment, training, and placement of these workers. Since 80 percent of jobs that exist are in the private sector, the hiring of older workers in this sector is of central importance. The department will also advocate for the creation of alternative work arrangements that meet the needs of many older workers. Particular attention will be paid to the needs of minority workers, handicapped older workers and displaced homemakers who are over 55 years of age.

(2) Similarly the department will expand its advocacy efforts to other State agencies and work with the Division of Personnel Administration to encourage the employment of older workers, including the creation of alternative work arrangements. In its legislative mandate, the Department of Elder Affairs is charged with the role of acting as an advocate for older people among all agencies of State government. We will now carry this role into the field of employment.

(3) The department will continue to work closely with the Department of Manpower Development and with CETA agencies at the local level to encourage the development of employment and training resources that meet the needs of older workers as well as to dramatically increase the numbers of older workers served by existing programs. We will also work to develop coordinated service

delivery systems among CETA agencies and agencies of the aging network. Finally, we will work closely with the six projects funded under the Department of Manpower Development's older worker incentive grant program.

(4) The department will work with, and help to raise the consciousness of, other State agencies that provide employment and training services, such as the Division of Employment Security and the Massachusetts Rehabilitation Commission, to ensure that older workers are seen as persons with employment needs. Further, the department will work with these agencies to help them to develop policies and procedures that will result in older workers being more adequately served.

(5) In agencies of the aging network, where the department has direct influence, such as area agencies on aging, home care corporations, nutrition programs, councils on aging, senior centers, including the department itself, we are working to increase the numbers of older employees who work for these agencies. Together with existing older worker employment programs, the department will provide assistance to aging network agencies in the recruitment, training, and placement of older workers within those agencies. We have found that many such agencies already use the services of a number of older workers through such programs as the senior aide program and Elder Service Corps, but seem unwilling to hire older workers into regular full-time professional and administrative positions. We will work vigorously to change this situation. The department will also strongly encourage area agencies on aging to develop older worker employment programs in their areas and to the funding of those programs with their resource moneys under title III of the Older Americans Act, as well as to develop other funding sources that can underwrite the cost of such programs.

(6) The department will encourage the development of older worker owned and operated small businesses and organizations which would utilize the skills and experience of their participants. For example, elder draftspersons or skilled workers may want to form an organization that would facilitate the marketing of their particular expertise. We will work with appropriate State agencies, local business information centers, and Federal agencies, such as the Small Business Administration to stimulate the development of such elder enterprises.

(7) The department will encourage the development of training resources for older workers. We will work with gerontology training programs at community colleges and at State and private colleges with the goal of providing meaningful employment training and retraining for the older worker, to encourage them to submit proposals for demonstration grants, or to seek the support of this department in seeking other State, Federal, and private grants.

In those spheres of activity dealing with federally funded programs, department grants, and legislative proposals identified as in the interest of elders and submitted by the department, most vigorous support will be given to those programs which help older people to remain in or re-enter the work force. The active participants of older workers, or potential workers, will be fostered in department programs and contracts supported by title IV-A of the Older Americans Act, grants on aging, and demonstration projects.

In addition, the department will work closely with the State Department of Education to take maximum advantage of the identification of older workers as a priority group in programs funded under title I of the Higher Education Act. As a targeted group, older workers may benefit from the objective of the Federal Government to coordinate education and training supplies with labor market demand through continuing education, community service planning, and research material resource planning. Emphasis should be placed on training in fields such as the ancillary health services, paralegal services, environmental programs and other services that will directly benefit older people.

Special priority should be given to those older workers, who, because of layoffs and plant closings, find themselves unemployed. Many of these workers have transferable skills and with proper retraining and skill upgrading could be eligible for many existing jobs.

(8) The department will encourage research into the needs of older workers in the Commonwealth and the dissemination of these findings. Societal attitudes changing demographic trends, the impact of inflation, the shifts in the job market, plus stereotypical attitudes, are but some of the many complex factors which impinge upon the employment needs and desires of older workers. Some private programs and governmental pilot studies have already identified, particularly

helpful methodologies. There is a need to share this data, to test, and to investigate other new ideas and approaches to stimulate long-range programs of action in the public and private sectors.

(9) The department will use its resources to foster the education of the public to the issues of work choices for older people. At an appropriate time, a suitable pamphlet will be developed utilizing the research findings mentioned above, and be distributed through the aging network.

In addition, the staff who are engaged in public relations will seek out the assistance of the news media to disseminate information in the various ways to effect attitude changes on this issue throughout the Commonwealth.

(10) The Department of Elder Affairs will continue to work with the Department of Public Welfare, ACTION, and other agencies, to have senior companionship designated as an eligible title XX service. This will create needed jobs for older workers as well as provide an important service to older people in need.

(11) The department will work to expand the number of positions available for older workers through its existing programs, the senior aide program and the Elder Service Corps, through the acquisition of additional Federal and State funds respectively.

(12) The department will support and/or offer legislation to support the goals of this policy paper, and will work through the legislative committee of the DEA Citz as Advisory Committee and with representatives of other agencies and organizations, such as the Older Worker Employment Network, who are committed to this need.

Legislation may be proposed and/or supported in the following areas:

- The elimination of all mandatory retirement restrictions for State workers and for private sector workers.
- Public resolutions of the State legislature that will encourage the hiring of older workers and that will establish percentile goals for the inclusion of older workers within CETA agencies.
- Expansion of educational and training opportunities throughout the State college system.
- Funding to expand the stipend volunteer opportunities in such programs as the Elder Service Corps and the foster grandparent program as well as the creation of new stipend volunteer programs, such as the senior companion program.

(13) Finally, the staff of the department will help to seek out and identify sources of support from other public and private funding sources that would provide funding for existing older worker employment programs and for the development of new programs throughout the Commonwealth.

The support of department staff is crucial to the implementation of this policy. Therefore, whenever possible, the staff of the Department of Elder Affairs will provide meaningful input, technical support, and liaison to oversee the implementation and ultimate success of achieving the goal of providing meaningful employment for the older workers of Massachusetts.

ITEM 5

PRELIMINARY FINDINGS OF A NATIONWIDE SURVEY  
ON  
RETIREMENT INCOME ISSUES



PRESIDENT'S COMMISSION  
ON PENSION POLICY

May 1980

In September and October of 1979, the President's Commission on Pension Policy sponsored a major household survey of 6,100 adults designed to measure the relationship between pension plan participation and personal savings.<sup>1/</sup> The questionnaire that was completed by the 6,100 adults also asked them very detailed questions relating to participation in pension plans, entitlement to benefits, and attitudes regarding retirement prospects.

This booklet contains the preliminary findings of the household survey on these issues. In addition, the U.S. Department of Labor and the Social Security Administration has given the Commission permission to include in this report several preliminary tables from a companion survey that they sponsored in May 1979. These survey results represent some of the most significant findings to date on retirement income issues and should prove a helpful guide to pension policymakers and the general public.

#### Coverage

There has been considerable discussion among pension experts concerning the question of who is and who isn't "covered" by a pension plan. Obviously, the Commission needs the most current, detailed information available in order to make policy judgments such relate to pension coverage and vesting issues.

For purposes of this report, only those who indicated that they were participants in a pension or profit-sharing plan were considered to be "covered." If the employer had an established plan, but the individual was not a participant, then he/she was not

<sup>1/</sup> The President's Commission on Pension Policy, the Department of Labor, the Pension Benefit Guaranty Corporation, the Administration on Aging and the Social Security Administration are sponsoring a \$1.2 million nationwide, random survey and analysis of 6,100 households on retirement income issues. The first wave of the survey was conducted in October, 1979 by Market Facts, Inc. A follow-up survey on some questions will be conducted with the same respondents in October of this year. Final survey analyses on the primary questions relating to the impact of social security, employer pensions and other forms of retirement income on personal savings behavior and capital formation is being done by SRI International.

- 2 -

counted as covered. Further analysis of the data will study how many of the noncovered are likely to become participants due to meeting certain eligibility requirements.

Using this definition, the study found that 48.1 percent of all active workers 18 years and older are presently covered by some type of employment-based pension, profit-sharing, or other retirement plan at their current job. (See table 1)

It might be expected, younger workers are less likely to be covered by a pension plan while older workers are more likely to be covered. (See chart I and table 1)

Women workers are generally less likely to be pension plan participants than men. (See chart II and table 2) According to the survey, pension coverage tends to flatten out for the total workforce after age 35 and actually declines after age 55. (See chart I and table 1)

These findings are replicated by the results of a similar survey conducted among adults over the age of 16 by the Department of Labor and the Social Security Administration.<sup>27</sup> Preliminary analysis of that survey indicates that the findings are nearly identical to the Commission survey and, therefore, are not presented here. Analysis of coverage of the full-time private sector workforce was presented by the agencies to the Commissioners at a symposium held on April 17. Several tables from that presentation are reprinted here. These data indicate that pension coverage for full-time private sector workers can be defined as ranging from 51 percent (for all full-time private sector workers) to 61 percent (for full-time private sector workers over 25 years of age with one or more years of service with their current employer and over 1,000 hours of work per year). While the latter approach results in a higher coverage figure, only 58 percent of the private sector workforce fits into that category.

<sup>27</sup> "Survey of Pension Plan Coverage, 1972 & 1979," Department of Labor, Social Security Administration

### Vesting

Even though a person may be a participant in a pension plan, he/she may not be actually entitled to receive a benefit upon retirement. Pension plans may require workers to meet age, years of covered service, and other eligibility requirements before they are considered "vested" in the plan.

The Commission survey found that of the total working population over the age of 18, only 25.3 percent are vested in a pension plan provided by their current employer. This figure increases with each age cohort, equaling 32.7 percent for those 35 and older and 37.1 percent for those 55 and older. (See table 3B) The DOL/SSA survey indicates a similar trend for private sector workers: 21 percent for all age groups to 33 percent for those 55 and older. (See table 3D) The higher numbers for the Commission survey reflects the fact that a greater proportion of government workers are covered and vested in pension plans are workers in the private sector.

Both surveys do indicate, however, that older workers who are participants in a pension plan have a high probability of being vested in their plan.

Table 3C from the DOL/SSA survey illustrates an interesting trend relating to vesting in private sector pensions. The table shows that the Employee Retirement Income Security Act of 1974 (ERISA), with its vesting standards, may have had an important effect on workers' entitlements to pension benefits. The DOL/SSA survey shows that while pension coverage grew very little from 1972 to 1979, the proportion of those workers in plans who were vested increased from 12 percent (17.2 percent of total full-time workforce) in 1972 to 48 percent (26.5 percent of total full-time workforce) in 1979.

ATTITUDES ABOUT RETIREMENT**Retirement Income**

The Commission's survey illustrates the dominant role that workers expect social security to play in the U.S. retirement income system. 57.8 percent of all those surveyed, both workers and non-workers, expect social security to be their primary source of retirement income, while 21.6 percent expect to rely primarily upon a pension provided by their employer, 15.2 percent hope that their personal savings will be their main support in retirement, 2.3 percent expect to rely primarily on an Individual Retirement Account (IRA) or a Keogh Plan, while only 1.7 percent think that their family will support them in retirement. (See chart IV)

These figures are reflected in the survey respondents attitudes towards the various types of retirement income. 77.7 percent feel they will definitely receive social security benefits, 32.2 percent think they will definitely receive an employment-based pension, and 32.3 percent think that they will have some retirement income as a result of personal savings and investments. (See table 5)

The Commission survey also found all survey respondents profoundly pessimistic about their prospects in retirement. When asked whether they expected their retirement income to be adequate for their needs, 62.9 percent answered probably not or definitely no. (See table 6) This response shows that the people are not confident of the ability of our nation's retirement income systems to provide adequate benefits to the retired.

Along the same lines, 51.8 percent of those surveyed said they expected to live at a lower standard of living after retirement. (See table 7)

Without generalizing too much, the survey found that women are more pessimistic than men. And, older workers facing retirement are more cautious than younger workers.

### Retirement Age

The Commission survey found that 47.5 percent of the working population expects to retire at age 62 or before. (See table 8) Currently 34 percent of those applying for social security benefits actually retire at age 62.<sup>17</sup>

The survey also looked at possible trends toward increased work by the elderly. Of those employed who actually knew if their employer had a mandatory retirement age policy, 29.9 percent said they were subject to mandatory retirement. However, when asked if they would like to work past their employer's mandatory retirement age, only 33.6 percent responded that they would. (See tables 9 and 10)

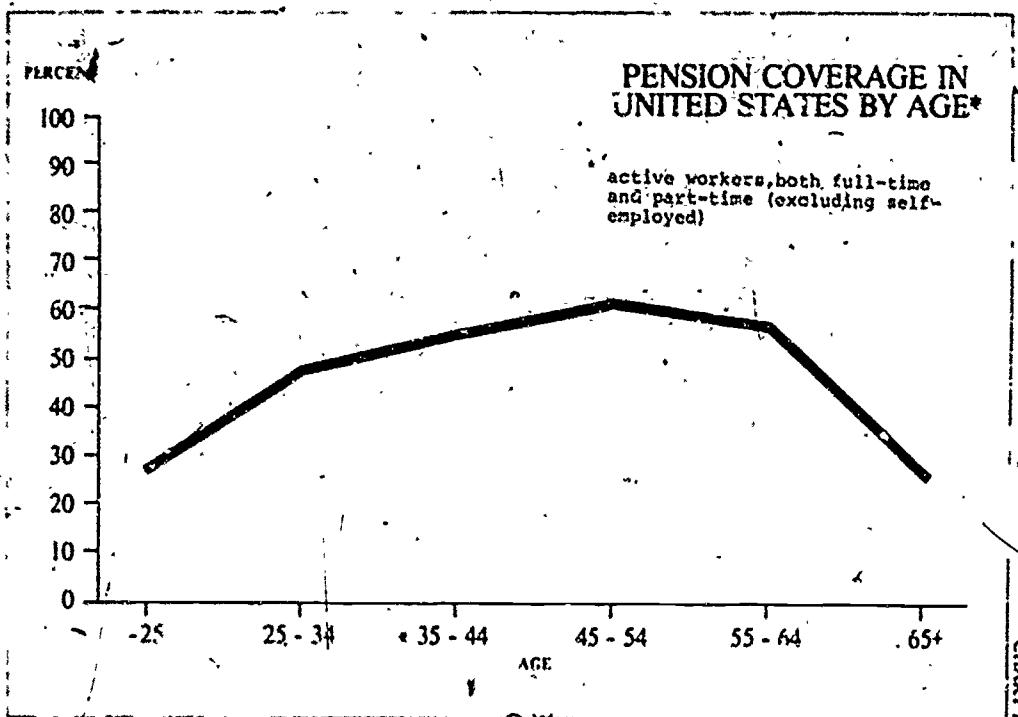
### Conclusion

The Commission survey and the NOLSSA survey point out the importance of pension coverage in this country. Nearly half of all active workers participate in a pension plan. Of that total, more than half are currently vested and eligible for pension benefits from their employer. However, vesting increased dramatically with age and length of service. Future reports will analyze survey results to indicate the years of covered service and levels of pension entitlements for those who are vested.

The two surveys also point out that women fare less well than men do in our current system of retirement income. This fact is reflected by women's greater pessimism about their retirement prospects.

Contrary to some surveys which have tended to indicate a lack of knowledge about personal pension matters among the general population, the Commission's survey found its respondents appear to be fairly well informed about their retirement income.

<sup>17</sup> Social security Administration.



97

CHART 1

178

TABLE 1  
Pension Coverage in the United States By Age

	TOTAL	AGE						AGE			
		25	25-34	35-44	45-54	55-64	65+	25+	35+	45+	55+
% covered all jobs	48.15	27.91	48.20	54.94	61.81	57.23	28.41	53.10	56.38	57.17	51.29

active workers, both full-time and part-time  
(excluding self-employed)

TABLE 1a  
Coverage Rates Among Full-Time Private Wage and  
Salary Workers Aged 16 and Older

	1972	1979
% Total	49	51
Males	54	56
Females	38	41

source: Department of Labor/Social Security Administration  
1972 and 1979 Coverage and Vesting Survey  
(preliminary findings presented to PCPP 1/17/80)

TABLE 1b  
Coverage Rates By Age, Years of Service and Hours  
Work Per Year, By Sex: Private Wage and Salary Workers

AGE, YEARS, HOURS	TOTAL	MEN	WOMEN
Under age 25	19	22	15
25 and older	51	60	38
Less than 1 year of service	21	30	13
1 or more years of service	58	66	46
Less than 1000 hours/ year	8	13	?
1000 or more hours/year	61	67	50

source: DOL/SSA survey

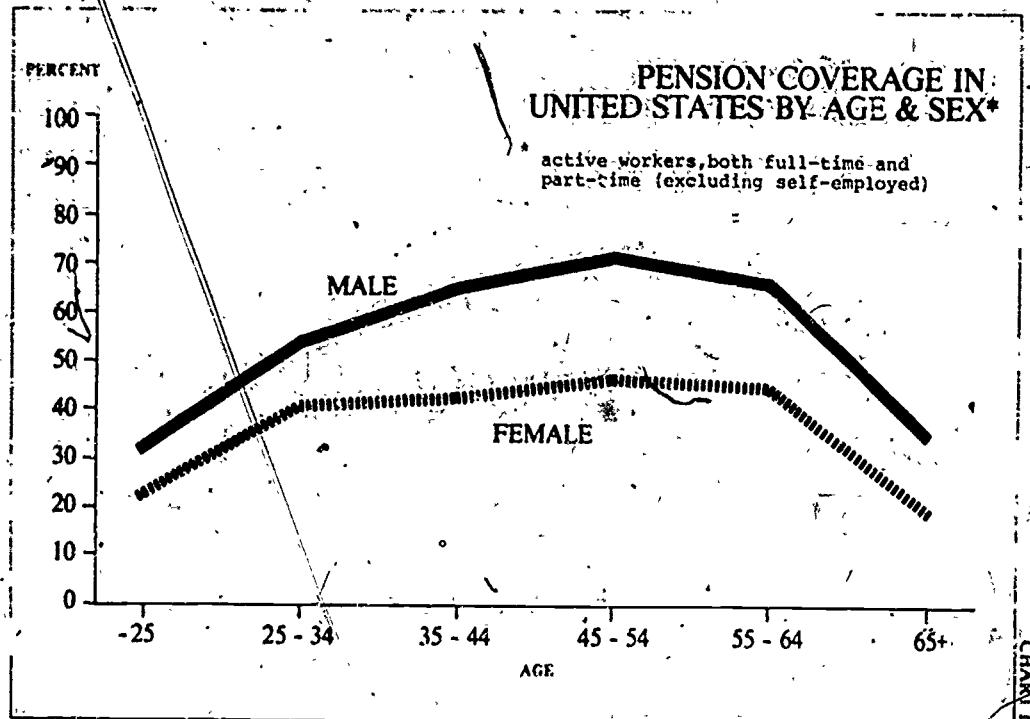


TABLE 2  
Pension Coverage in the United States By Age and Sex\*

SEX	TOTAL	AGE						AGE			
		<25	25-34	35-44	45-54	55-64	65+	25+	35+	45+	55+
Males: % covered all jobs	55.73	32.70	53.77	65.07	71.72	57.03	35.42	61.17	66.10	66.79	66.52
Females: % covered all jobs	38.85	22.07	40.91	42.66	48.03	45.45	20.00	43.05	44.40	45.56	40.21

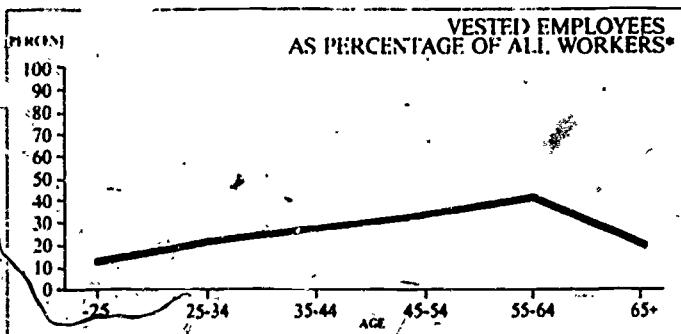
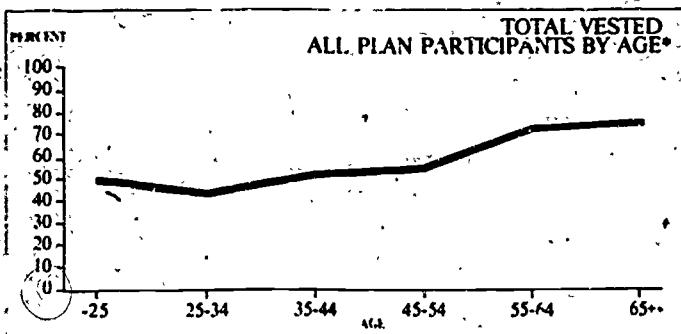
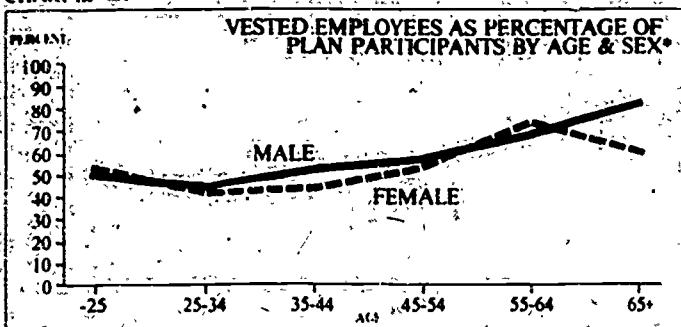
\* active workers, both full-time and part time  
(excluding self-employed)

TABLE 2A  
Pension Coverage Rates By Age and Sex: Private  
Wage and Salary Workers

AGE	% TOTAL	MEN	WOMEN
Under 25 (14-24)	19	22	15
25-29	45	51	37
30-44	52	63	37
45-54	58	67	44
55 and older	49	57	36

source:DOL/SSA survey

CHART III



active workers, both full-time and part-time  
(excluding self-employed)

TABLE 1  
Vested Employees As Percentage of Plan Participants  
By Age and Sex

SEX	TOTAL	AGE						AGE			
		<25	25-34	35-44	45-54	55-64	65+	25+	35+	45+	55+
Males: % vested	54.31	50.00	46.37	53.95	57.62	70.16	81.25	54.86	59.52	63.14	71.43
Females: % vested	51.30	51.56	42.25	44.58	54.10	75.71	62.50	51.27	56.48	62.00	74.36

TABLE 3A  
Total Vested, All Plan Participants By Age\*

COVERED EMPLOYEES	TOTAL	AGE						AGE			
		<25	25-34	35-44	45-54	55-64	65+	25+	35+	45+	55+
% Vested	53.2	50.6	44.8	51.2	56.3	72.2	75.0	53.6	58.4	62.7	72.5

TABLE 3B  
Vested Employees As Percentage of All Workers\*

ALL EMPLOYEES	TOTAL	AGE						AGE			
		<25	25-34	35-44	45-54	55-64	65+	25+	35+	45+	55+
% Vested	25.57	13.89	21.48	28.26	34.69	41.30	20.69	28.30	32.75	35.75	37.09

\* active workers, both full-time and part-time  
(excluding self-employed)

TABLE 3C  
Vested Rates Among Full-Time Private  
Wage and Salary Workers Covered By A Retirement Plan

	1972	1979
Total %	32	48
Males	34	51
Females	26	41

source: DOL/SSA

TABLE 3D Vested Rates By Age and Sex: Full-Time  
and Part-Time Workers

ALL PRIVATE WORKERS	TOTAL	MEN	WOMEN
Total %	21	26	13
Under 25	4	6	3
25-29	13	15	10
30-44	24	31	14
45-54	37	46	23
55 and older	33	40	23

source: DOL/SSA survey

TABLE 3E

COVERED PRIVATE WORKERS	TOTAL	MEN	WOMEN
Total %	48	51	41
Under 25	23	25	21
25-29	29	30	27
30-44	47	49	39
45-54	63	68	52
55 and older	68	70	63

source: DOL/SSA survey

TABLE 3F  
Vested Rates By Years in Plan and Sex:  
Private Wage and Salary Workers Covered  
By a Retirement Plan

YEARS IN PLAN	TOTAL	MEN	WOMEN
Less than 5 years	28	29	25
5-9 years	42	41	44
10 or more years	77	79	72

source: DOL/SSA survey

CHART IV

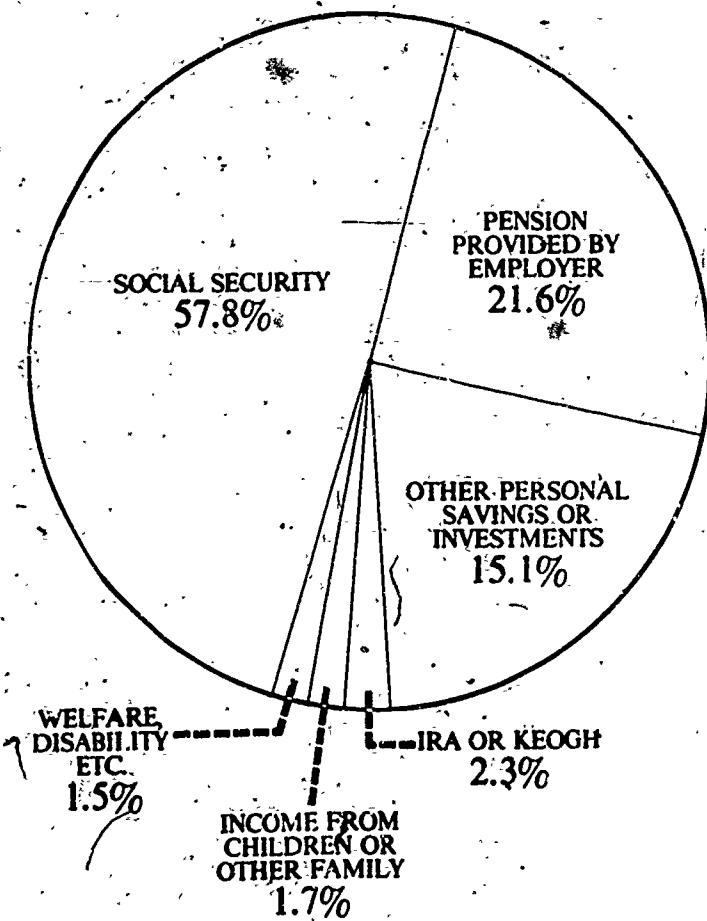
EXPECTED PRIMARY SOURCE  
OF RETIREMENT INCOME

TABLE 4:  
Expected Primary Source of Retirement Income

	SEX	AGE					
		18-29	30-39	40-49	50-59	60-64	65+
SOCIAL SECURITY (57.8)	Male	42.0	37.6	45.3	49.3	67.1	75.2
	Female	75.3	58.3	66.9	73.6	87.8	80.4
EMPLOYER-BASED PENSION (21.6)	SEX	AGE					
	Male	24.9	36.6	34.6	34.7	22.1	14.2
	Female	18.1	16.4	15.7	15.2	8.3	10.6
PERSONAL SAVINGS (15.1)	SEX	AGE					
		18-29	30-39	40-49	50-59	60-64	65+
	Male	28.6	20.2	6.1	9.3	7.5	7.4
	Female	17.4	16.4	9.0	5.3	6.9	8.2

CHART V

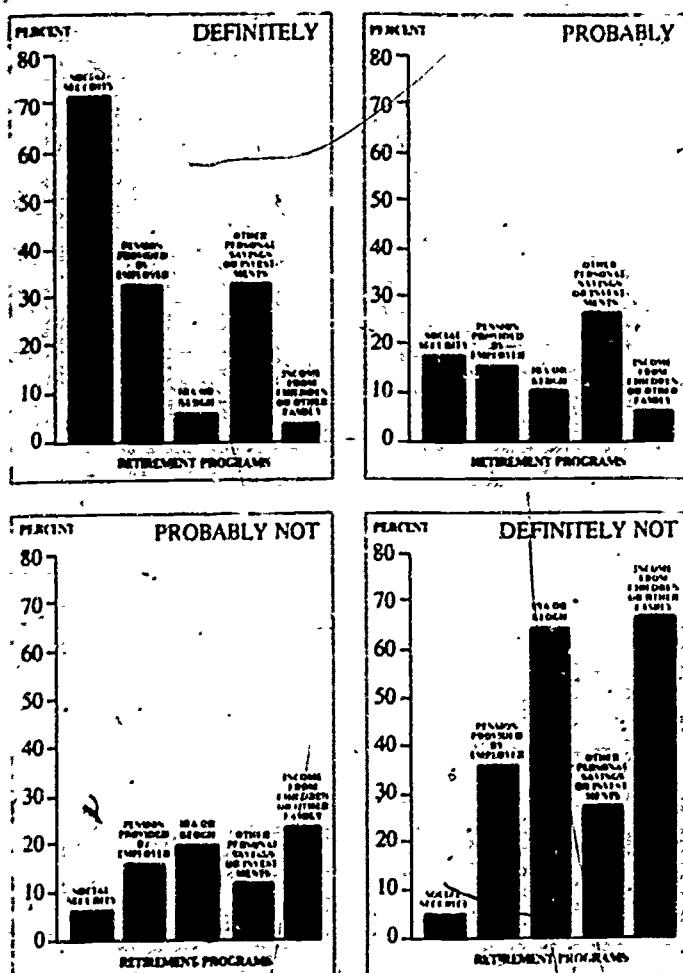
EXPECTED SOURCES OF INCOME  
AFTER RETIREMENT

TABLE 5  
Expected Sources of Income After Retirement

ATTITUDE	SOCIAL SECURITY	PENSION PROVIDED BY EMP.	IRA OR KEOGH OR INVEST.	OTHER SAVINGS	INCOME FROM CHILDREN/FAM.
Definitely	71.7%	32.2%	5.9%	32.8%	4.4%
Probably	17.1%	15.6%	10.7%	27.6%	6.3%
Probably not	6.1%	16.1%	19.4%	12.7%	23.3%
Definitely not	5.1%	36.0%	64.1%	27.0%	66.0%

CHART VI

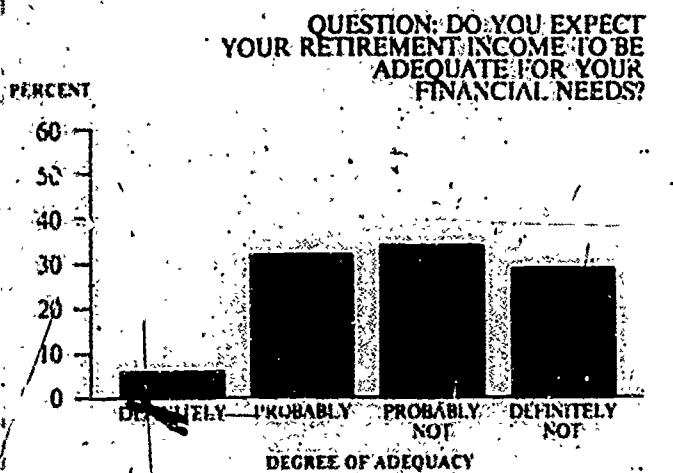


CHART VII

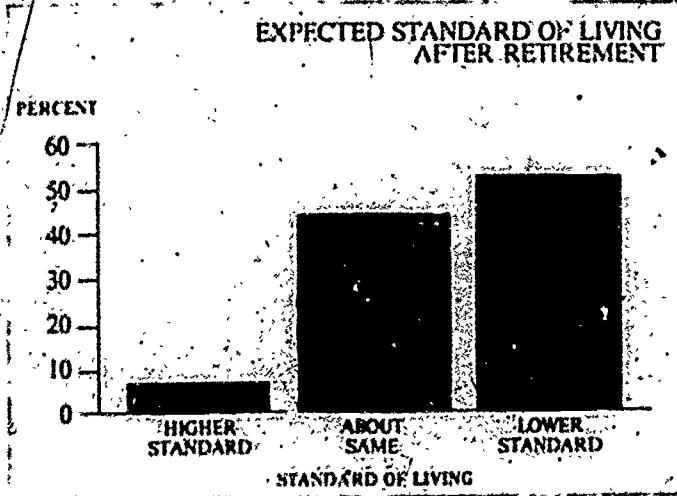


TABLE 6  
Do You Expect Your Retirement Income To Be  
Adequate for Your Financial Needs?

	TOTAL %
Definitely adequate	5.7 %
Probably adequate	31.3 %
Probably not adequate	33.8 %
Definitely not adequate	29.1 %

TABLE 7  
Expected Standard of Living After Retirement

	TOTAL %
Higher standard of living	7.8 %
About the same standard of living	40.4 %
Lower standard of living	51.8 %

TABLE 8  
Age At Which Respondent Expects to Quit  
Working Full Time

AGE	TOTAL %
Less than 55 years	14.0
55	7.3
56	7.2
57	7.5
58	7.6
59	7.3
60	9.9
61	7.4
62	14.3
63	11.0
64	7.5
65	41.9
66	7.2
67	7.2
68	7.5
69	7.1
70	5.1
71	7.1
72	7.2
73	7.1
74	7.1
75 and over	2.4

TABLE 9  
Percentage of Employees Subject to Mandatory Retirement (who knew answer, not self-employed)

	TOTAL	AGE						AGE			
		< 25	25-34	35-44	45-54	55-64	65+	25+	35+	45+	55+
Total % employees	29.9	23.0	29.4	32.2	32.6	29.0	17.4	31.3	32.5	32.7	28.2

TABLE 10  
Employees Who Would Like to Work Past Their Mandatory Retirement Age (subject to mandatory retirement, not self-employed)

	TOTAL	AGE						AGE			
		< 25	25-34	35-44	45-54	55-64	65+	25+	35+	45+	55+
Total % employees	33.6	52.3	41.4	23.0	23.0	31.5	50.0	30.8	25.3	26.8	33.7